

THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS OF THE
BRITISH COMMONWEALTH

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TOWARDS PEACE OR WAR ?

DESPITE official protestations of satisfaction, public opinion seems to have regarded the accomplishments of the London Naval Conference as something of an anticlimax. After the tremendous expectations which had been raised by the British Prime Minister's journey across the Atlantic, by the Hoover-MacDonald statement issued after the conversations on the Rapidan, and by the elaborate ceremonies at the opening of the Conference at St. James's Palace, the actual results of the Three Power Treaty seem meagre so far as the armaments of the ocean Powers are concerned, while the inability of the Conference to secure any form of naval limitation from France and Italy looks like complete failure as far as Europe is concerned. Indeed, from one point of view, the Conference was a painful revelation of how little practical importance the members attached to the Covenant and the Pact of Paris. If the risk of war had been effectively diminished, why should not all armaments—which are a provocation to war—also be reduced ? On the other hand, it may fairly be claimed that the London Naval Conference accomplished all that it was, in fact, possible for it to accomplish, and that—what is even more important—it has brought to light the real issues which still divide the naval Powers and the problems which must be solved in the next five years if the hopes represented by the League of Nations and the Pact of Paris are to be realised.

Towards Peace or War ?

I. THE POLITICAL BASIS FOR DISARMAMENT

IT has been repeatedly pointed out in these pages that the basis of any successful agreement to limit and reduce armaments must be political. In the old phrase "war is an instrument of policy" and armaments are simply the instruments of war. If nations believe that the risk of war may be disregarded, they will rapidly reduce armaments to the police level for reasons of economy. If nations are pursuing policies which they recognise may lead to war, or, while anxious to avoid war themselves, yet fear that wars may break out in which they may become involved, they will maintain the armaments which they think will give them security when the war comes—armaments whose size will inevitably be fixed by reference to the size and character of their neighbours' preparations. Armaments, therefore, are the best test of the real state of international relations. So long as there is risk of war armaments will continue, but in proportion as that risk is diminished by political international arrangements for the settlement of international disputes by pacific means and for the prevention of war, they will grow less. Disarmament, as well as war, is the outcome of policy.

The first result of the Conference, therefore, has been to reveal how little real reliance the signatories place on the resounding renunciation of war contained in the Pact of Paris. It is not that they mean to go to war themselves or fear that their neighbours will attack them. It is that they fear that war will break out somewhere, say in the Balkans, and gradually engulf them against their will. If there is to be successful disarmament in the future, therefore, adequate machinery will have to be created not only for pacific settlement but to prevent the outbreak of war or to stop war if it does occur. In so far as the London Conference was a failure it was because there is still no agree-

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ment among the greatest Powers as to how the world should be organised for peace.

This necessity for a political foundation for disarmament has been well proved by the history of all disarmament conferences since the war. The Washington Naval Conference was able to limit and reduce battle fleets partly because the war time standard of armaments was admittedly too high and everybody—in the economic crisis of 1921—wanted economy, partly because Great Britain in principle accepted naval parity with the United States, and partly because political treaties dispelled the war cloud over the Pacific, and through the clauses providing that certain naval bases should not be fortified made it almost impossible for the fleets in the Pacific to fight one another. It failed, however, to reach any agreement about cruisers and smaller craft or the Atlantic, because the rejection of the League of Nations by the Senate had destroyed both the solution of the freedom of the seas issue and the basis for political co-operation in the interests of peace between the United States and the rest of the world, which the Covenant provided.

President Coolidge made an attempt to complete the Washington Treaties by calling the Geneva Conference of 1927, but no political preparation whatever was made for it. The United States was as far away from the League international system as ever, no alternative system had yet been put forward, and there had been no Anglo-American discussion about the freedom of the seas. The result was a complete failure because the only question which could be discussed was the ratios between the cruiser, destroyer and submarine fleets of the Powers concerned, on the assumption that war might occur, and each Admiralty naturally proposed a formula which suited itself and would give it the advantage in the event of war.

Similarly with land armaments. Despite constant meetings of the Preparatory Commission and the preparation of many admirable technical schemes, no practical progress

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has been made towards an agreement for their limitation and reduction because no political basis for such an agreement has yet been found. The nations of Europe have so far no real confidence that the League system, buttressed by the Locarno treaties, or the Peace Pact, is a really effective security against war. Some nations, indeed, only give lip service to the League ideal, while France, which is a genuine believer in the League, is also convinced that her own security and the Treaty settlement can only be assured by maintaining, in association with Czecho-Slovakia and Poland and Roumania, an overwhelming military preponderance as against a largely disarmed Germany and Hungary—a system fundamentally incompatible both with the League and with disarmament.

The London Conference met under more favourable auspices. First, the political arrangements of 1922 about the Pacific still stood and mutual confidence had risen in the interval. Secondly, the United States had definitely abandoned the negative position which she had assumed after the rejection of the Covenant, and had become the principal protagonist of the Peace Pact, whereby, in a multilateral treaty, practically all nations renounced war as an instrument of national policy and undertook never to settle international disputes by other than pacific means. Thirdly, while the Peace Pact contained no machinery for the pacific settlement of disputes and no provision requiring co-operation to prevent war or to deal with a Pact breaker, there had been a great deal of discussion between the United States and the British Empire, both official and private, about the effect of the Peace Pact and the Covenant on such questions as neutrality in time of war and the freedom of the seas. The acceptance of parity implies that Great Britain has recognised that she can no longer enforce her own conception of sea law regardless of the rest of the world. The ratification of the Peace Pact implies that the United States has recognised that she can no longer enforce her claims as a neutral

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trader as against a blockade proclaimed by the League against a Covenant or Pact breaker.* Both Powers, indeed, now recognise that the Peace Pact as well as the Covenant make it necessary to consider whether both belligerent and neutral rights of the old pattern will not have to be abandoned in favour of a distinction between lawful police action binding on neutrals, and lawless war in which belligerents have no rights as against neutrals at all. These considerations were crystallised in the Hoover-MacDonald statement of October 9, 1929, in which it was solemnly stated that :

Both our Governments resolve to accept the Peace Pact not only as a declaration of our good intentions, but as a positive obligation to direct our national policy in accordance with its pledge We approach the old historical problems from a new angle and in a new atmosphere. On the assumption that war between us has been banished, and that conflicts between our military or naval forces cannot take place, these problems have changed their meaning and character, and their solution in ways satisfactory to both countries has become possible.

There was, therefore, ample political preparation for the London Naval Conference so far as the British Empire, the United States and Japan were concerned, and commensurate results were accordingly achieved.

Unfortunately no similar preparation had taken place with France and Italy. This was the more regrettable, partly because this rapprochement between the United States and Great Britain produced suspicions of an Anglo-Saxon plan to dominate and control the seas and the world, and partly because of the profound difference of view as to the basis of peace and security between the European Powers on the one hand and the United States on the other. The chance of complete success would have been greatly increased if the Prime Minister had been able last autumn

* Compare the Capper, Porter and other resolutions before Congress, authorising various forms of embargo against an aggressor.

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to visit Paris and Rome as well as Washington, or had invited the French and Italian Prime Ministers to London and explored the ground with them as fully as he explored it with President Hoover. The difficulties which eventually wrecked the possibility of a Five Power Treaty would then have become clear and political discussions might have removed them before the Conference assembled. As it was, they were revealed only towards the end of the Conference, after every delegation had publicly taken up its position and had become imprisoned within it, having public opinion at home crystallised behind it. None the less the London Conference has succeeded in making clear to the whole world what are the real problems which confront it if it wants to make further progress towards disarmament and peace, and it has done so, not as at Geneva in 1927 with recrimination and misunderstanding, but in a friendly fashion which paves the way for the public discussion of this problem before the resumption of the Conference in 1935.

Before considering this fundamental problem, however, it may be well to summarise briefly the actual accomplishments of the Conference so far as naval limitation is concerned.

II. THE NAVAL TREATY

THE most important result of the Conference was to limit and define the tonnage and character of all ships of war possessed by the British Empire, the United States and Japan. This is the first time a naval limitation treaty, preventing competition in all classes of war vessels, has ever been agreed upon. The summary of the figures, *i.e.*, for the relative position of the fleets in 1936 on the basis of the figures agreed upon between Great Britain, the United States and Japan, together with the published pro-

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gramme of France, are as follows. (No figures have been, produced by Italy.)

	<i>British Empire.</i>	<i>United States.</i>	<i>Japan.</i>	<i>France.</i>
Battleships ..	430,450*	456,200*	237,320*	209,257†
Aircraft carriers	135,000‡	135,000‡	81,000‡	32,146
Cruisers—				
(a) guns, ex- ceeding 6.1 in.	146,800	180,000§	108,400	124,850||
(b) guns not exceeding 6.1 in.	192,200	143,500§	100,450	} 258,597
Destroyers ..	150,000	150,000	105,500	
Submarines ..	52,700	52,700	52,700	
Total ..	1,107,100	1,115,400	721,370	724,479†

Broadly speaking, Great Britain reduced her claims for cruisers from the Geneva figure of 70 to 50, the Americans abandoned their claim to equip all their cruisers with 8-inch guns, and Japan accepted a compromise on her demand for 70 per cent. of the British and American cruiser quotas. Great Britain and the United States also agreed that, in view of the different circumstances in which they were placed, an arrangement whereby the United States should have eighteen 8-inch gun cruisers as against Great Britain's fifteen, while Great Britain had the right to 192,200 tons of 6-inch gun cruisers as against the United States' 143,500 tons with certain arrangements for a limited transfer of tonnage from one category to another, should be accepted

* These figures are obtained by deducting the amount of tonnage to be scrapped under the London Treaty from the total tonnage to be retained under the Washington Treaty, i.e., Great Britain, 558,950; United States, 525,850; Japan, 301,320.

† Figures in this column are those given in the second French Memorandum of February 13. Owing to the agreement re exempt ships reached at London the total was subsequently reduced to 713,532 tons.

‡ Washington Treaty figures.

§ If the United States builds only 15 large cruisers these figures will be changed to 150,000 and 189,000 respectively.

|| This figure is made up of ten 10,000-ton cruisers plus 24,850 tons of old cruisers.

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as parity. The destroyer figures are 150,000 tons each for the United States and Great Britain and 105,500 tons for Japan. Each Power has the right to build 52,700 tons of submarines.

The second result of the Conference was an agreement to reduce the number of battleships maintained by the three Powers and to postpone any replacement until after 1936. Great Britain undertakes to dispose of five, the United States of three, and Japan of one of these ships, leaving the numbers as follows : 15 : 15 : 9.

The third result of the Treaty was the limitation of the unit size of submarines to 2,000 and a declaration that

(1) In their action with regard to merchant ships, submarines must conform to the rules of International Law to which surface vessels are subject.

(2) In particular, except in the case of persistent refusal to stop on being duly summoned, or of active resistance to visit or search, a warship, whether surface vessel or submarine, may not sink or render incapable of navigation a merchant vessel without having first placed passengers, crew, and ship's papers in a place of safety. For this purpose the ship's boats are not regarded as a place of safety unless the safety of the passengers and crew is assured, in the existing sea and weather conditions, by the proximity of land, or the presence of another vessel which is in a position to take them on board.

Unfortunately the clauses of the Treaty which apply to France and Italy, other than the one relating to the use of submarines, are very meagre. They define certain agreed limitations in the dimensions of certain ships and certain rules about scrapping, etc., which may be of value in a future naval disarmament conference. But on the vital question of the number and total tonnage of war vessels, other than battleships, France and Italy accept no limitation of their freedom of action. The total tonnage of the French fleet by 1936 as officially demanded by France on February 13 was 724,479, which was later reduced to 713,532.

Since the signing of the Treaty, Italy has announced

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that she will lay down the following ships in the present year :—

- 1 Cruiser of 10,000 tons.
- 2 Flotilla leaders of 5,100 tons each.
- 4 Destroyers of 1,240 tons each, and
- 22 Submarines.

This will apparently bring the total Italian tonnage up to about 402,000. No figures have yet been disclosed as to her programme for the years after 1930.

The Treaty also contained a safeguarding clause which stated that

if, during the term of the present Treaty, the requirements of the national security of any High Contracting Party in respect of vessels of war limited by Part III of the present Treaty are in the opinion of that Party materially affected by new construction of any Power other than those who have joined in Part III of this Treaty, that High Contracting Party will notify the other Parties to Part III as to the increase required to be made in its own tonnages within one or more of the categories of such vessels of war, specifying particularly the proposed increases and the reasons therefor, and shall be entitled to make such increase. Thereupon the other Parties to Part III of this Treaty shall be entitled to make a proportionate increase in the category or categories specified; and the said other Parties shall promptly advise with each other through diplomatic channels as to the situation thus presented.

At what point the British Government will declare that its security is menaced by French or Italian building is not known and whether the need to use this clause will arise will depend upon the development of the situation described in the next section of this article.

Before going on to consider this matter, however, there is one other point to be stressed. Though an agreement to limit the British, American and Japanese navies has been reached, the serious fact remains that a very large number of the British and American cruisers, destroyers and submarines are near their limit of age, whereas the vessels belonging to the European Powers and Japan are far more

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modern. If, therefore, the British navy is to maintain even that reduced ratio in relation to the rest of the world which the London Conference defined, it will be faced by a very large expenditure for the replacement of obsolete vessels in the near future.

The exact liability on this account is not yet clear and is affected by the fact that the replacement age for cruisers laid down before 1920 has been reduced from 20 to 16 years, while the total replacement tonnage to be built by the British Empire before 1936 is not to exceed 91,000 tons. It is clear, however, that we are faced with a heavy replacement bill if the navy is not to fall below a proper efficiency standard, and that in any case in 1936 we shall have a number of over-age cruisers.

III. THE NEXT FIVE YEARS

THE next five years are going to be the critical and decisive period during which it will be decided whether the ideals which underlie the Covenant and the Peace Pact are to be realised and a relatively disarmed world is to move forward to a system in which international questions will be settled by pacific means on the basis of reason and justice, or whether national egotism, suspicion and fear are to destroy the embryo international structure which has been built up since 1919, and whether mankind is to become entangled once more in the old system in which the next great piece of international political readjustment will be carried out by force, and by the armaments and the alliances appropriate to that method. As already said, the Naval Treaty, while exposing the issues involved, has left the answer in suspense.

Of all the signatories, Great Britain seems to have taken the greatest risks, for alone among the Powers she has really reduced her present-day armaments. Every other naval Power is adding to its non-battleship fleets, while

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Great Britain has accepted a position in so far as naval power is concerned which is not only a revolution as compared with her pre-war preponderance, but which may leave the British Empire in a state of some danger if the peace movement fails and the world drifts back to the international anarchy of the pre-war age.

THE ROUND TABLE does not complain of this. The days of naval supremacy for any Power are gone. In a measure other nations, especially the United States, are making up for the new cruiser construction undertaken by Great Britain more rapidly than by any other Power after the Washington Conference, though the construction of smaller cruisers, destroyers and submarines by France, Italy and Japan in the last year or two has been far larger than is generally realised. Moreover, faith is of the essence of accomplishment and, as the Prime Minister has said, it is worth taking some risks if there is a real chance of creating effective international organisation for the prevention of war. There is, too, some reason for thinking that public opinion in France is less wedded to the policy of naval expansion than might appear, and that the new Italian programme is in the nature of a bargaining card.

None the less, the position is not one for blind optimism. By 1936 we ought to know whether the world has crossed the Rubicon and is marching towards a new international order in which the settlement of international disputes by the disastrous method of war will be behind it, or whether its traditions have been too strong for it, in which case national security will continue to rest on the capacity of nations to defend themselves and their legitimate interests, in the last resort, on the battlefield. In that event the whole position of the British navy in relation to Europe and Asia will have to be reconsidered. In order to see the issue in perspective it may be of interest to examine the main outline of international history since the Napoleonic wars.

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IV. THE LESSONS OF HISTORY

AT the Congress of Vienna, which followed twenty years of war and the final defeat of Napoleon, the great Powers resolved to form the Concert of Europe for the prevention of war and the adjustment of its problems by pacific means. The statesmen of the period had the good sense to include France, which had thrown off her allegiance to the Napoleonic régime, within the Concert from the start. At a series of conferences, at Aix la Chapelle in 1818, at Proppau in 1820, and at Verona in 1822, the major problems of post-Napoleonic Europe were successively dealt with.

Gradually, however, the Concert of the continental Powers became concerned, not merely with peace, but with maintaining dynastic authority and repressing that revolutionary and democratic spirit which had flared up in the French Revolution and upset the old order amid constant chaos and war. Great Britain, as the democratic movement which matured in the Reform Bill of 1832 grew stronger, became increasingly reluctant to be associated with reaction, and as the war receded became more and more interested in overseas trade and the government and development of her overseas possessions. At the same time, the United States, partly to prevent the reassertion of the domination of Spain over the revolted American colonies, partly as the natural outcome of her own experiment in democracy, and, partly at the instigation of Canning, proclaimed, in the Monroe Doctrine, the policy of refusing all political association with Europe and of preventing, if need be by force, political interference by Europe in the internal affairs of the American continents.

The result was that the world fell back divided into three groups. There were the Pan-American democracies, excluding Canada, which for a century were wholly preoccupied with their internal development, often amid

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revolution and war, and politically detached from the rest of the world. There was the British Empire, a political system which, also for a century, came to embrace a quarter of the globe and gave some measure of order, peace, and, in later times, self-government to an extraordinary variety of races, religions, colours and civilisations, a system also self-contained and politically detached from continental Europe (save during the Crimean war in 1856) on the one side, and from the American system on the other. Finally, there was Europe which was peacefully controlled by the great dynastic Powers for thirty years until the liberal and revolutionary movements of 1848. These movements produced two results, on the one side the revival of the Third Empire in France and the forging of the unity of Germany by Bismarck by the blood and iron of the three wars, with Denmark in 1864, with Austria in 1866 and with France in 1870; on the other side the rapid growth of nationality, of which the principal manifestation was the Italian *risorgimento* and the union of Italy in 1871, and the national movements in the Balkans and eastern Europe.

The Franco-Prussian war destroyed what was left of the Concert of Europe, and Europe fell back upon the balance of power. Bismarck made the Dual Alliance with Austria, later converted into the Triple Alliance by the adhesion of Italy, in order to make secure the achievements of 1870. France and Russia followed suit in 1892 with an alliance which was the makeweight to the Triple Alliance. By the end of the century the stage was set for a new world war. There was no world organisation whatever for the consideration of world problems or the pacific settlement of international disputes, though fitful efforts towards disarmament and the humanisation of war were made at the Hague. Germany, conscious of the strength she had derived from unity, began to seek what she conceived to be her rightful "place in the sun" in the outside world, but believing that she could only gain it by force started that navy which gradually drove Great Britain into the

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Entente with France and also into the alliance with Japan in order to gain peace and security in the Far East. The empires and dynasties of Europe grew increasingly alarmed at the rising tide of democracy and nationality, and played with foreign adventure as a useful distraction. Europe became an armed camp, but possessed as yet no machinery by which the political adjustments necessary to its peace and progress could be made peacefully. The United States still clung to the belief that she could have peace by maintaining a resolute neutrality in the quarrels of the rest of the world.

Nobody deliberately pressed the button for the world war. The assassination of the Archduke Franz Ferdinand in the interests of Serbian revolutionary nationalism led to an Austrian ultimatum and mobilisation which in turn set in motion that terrible military time table upon which national security was held to rest, and engulfed all Europe in a few short days in war. By degrees almost the whole world was drawn in, so that in 1917 the United States was forced to reverse what had been the first article of her century old national policy and to join in a European war. The war destroyed all the European military dynastic autocracies, liberated every nationality within Europe, including Ireland, set movements going in Russia and Asia the effects of which are still germinating, and inaugurated the peace movement which produced the League of Nations and the Pact of Paris.

Are we, in the twentieth century, going to see a repetition of what happened in the nineteenth ? In many ways the omens are far more propitious. All the dynastic autocracies have gone, though party despotisms have replaced them in Italy, Russia and China. Nationality is now free and self-governing almost everywhere except in India, where the gigantic experiment of introducing self-government without destroying the unity and peace of the country is now in progress. Democracy is far more widespread than it was in 1914. The League of Nations

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has functioned with increasing success and prestige for ten years, and is now the indispensable focus of international action of all kinds. The Peace Pact expresses the growing determination of the democracies everywhere to abolish the war system. Yet, if history be a guide, the difficulties in the way of real success are still very formidable. Two broad alternatives seem to lie before us.

On the one hand, the movement crystallised in the Covenant and the Pact may be successfully strengthened. If so, the civilised nations will more and more realise that they are a single human family, and will develop the institutions whereby their common affairs will be effectively dealt with by collective pacific methods. That means, in practice, that the United States must abandon political isolation and work out a basis of association with the rest of humanity for preventing war and settling international problems by reason and justice on the general lines implicit in the Pact of Paris; that France and her associates must abandon the attempt to stabilise Europe by keeping Germany in permanent military inferiority and let defects in the Treaties of Versailles and Trianon be honestly taken to Geneva for gradual and peaceable settlement; that naval and military and air armaments must be successfully reduced to the police level, for only then will international suspicion grow less and economic co-operation against a Pact or Covenant-breaker become effective; and that the old British doctrine of the freedom of the seas must become merged in the new question of how and when economic action can be used to support the outlawry of war and to bring pressure to bear on a Pact breaker, without involving the participants in the equivalent of war.

On the other hand, nationalism and international suspicion may prove too strong for the movement towards world unity and co-operation. France may try to preserve her military preponderance with the result that Germany will make up her mind to regain equality and independence

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by claiming parity in military power and building up a balancing alliance system with Italy or other Powers. If that happens, European stability will rest upon a new balance of power, and considerations of power, of *Macht*, will begin to replace reason and justice at Geneva with the inevitable effect of inflated armaments and European and world war. The United States may persist in her traditional attitude of non-co-operation in the affairs of the Western world which will produce the same result, for as France truly pointed out in her famous memorandum of February 13 1930, the only basis for disarmament is the substitution of a "mutual guarantee of security" for national armaments, "the effect of which would be to transform the absolute requirements of each Power into relative requirements." Or, finally, while there may be agreement in principle that international co-operation is necessary for the prevention of war, it may prove to be impossible to get practical agreement between nations which believe that security comes from multiplying undertakings to coerce instantly by force any nation which resorts to war, and nations which believe that disarmament is the real road to security, that the unarmed Canadian-American frontier is really safer than the armed European frontiers.

So much for the main alternatives. It is futile to try to prophesy what the outcome will be. We would only add one consideration. The prevention of war is a world problem. It is impossible to keep war in water-tight compartments in the modern world. While many political problems can be dealt with regionally, the prevention of war is a matter for the whole world. If we are to have world peace the mere renunciation of war, however genuine and however valuable as a rallying point for public opinion, is not enough ; the practical co-operation of all the civilised Powers, both in working pacific methods of settlement and in preventing resort to war, is also essential. In some ways the co-operation of the United States is the one

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indispensable factor, for the United States is the make-weight in the modern world. The world war was a deadlock until she came in. So was the Peace Conference till she took sides. So was the Reparations controversy. So it is with world peace. Without her it cannot be done.

But it is none-the-less true that even if she is willing to co-operate, the policy of other nations can nullify the effect. She will certainly never join any peace system which does not provide real security against war or which is, in practice, merely likely to involve her in all the quarrels of a European armed camp. If she is to take her place in a peace system it will be because it is a real peace system based upon disarmament, the pacific settlement of international disputes, and, in so far as "sanctions" are necessary, on sanctions in a form which do not mean participation in a serious war. If there is to be world co-operation it will only be by means of a practical system which will create a real peace, and not by means of one which simply substitutes international wars for national wars. If one condition of world peace is American co-operation, the other is European disarmament.

The primary object of British policy during the next five years must be to try to find a basis for political association which will implement the Peace Pact between the United States and a lightly armed western Europe. That should be the unswerving objective of all the nations of the British Commonwealth because it is the only road to world peace, freedom and prosperity. But if the effort fails and Great Britain is forced to choose between association with a Europe drifting back to the balance of military power on the one hand, and with the United States on the other, she will inevitably choose the latter. It is the clear lesson of the period after the Napoleonic wars. It is the inevitable result of the acceptance of naval parity with the United States. It will be forced upon her by the Dominions if the Empire is to remain one. It is the logical

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outcome both of the Hoover-MacDonald conversations and the Three Power Treaty—if Europe drifts back to militarism.

Yet if Europe and the English-speaking peoples separate, it will be a step backward and will make another war almost inevitable. The English-speaking peoples may then be able to assure their own security and that of their civilisation, but they will not achieve lasting prosperity nor lasting peace, for that depends upon the prevention of war, though they may be strong enough together to prevent the next world war from dragging out for more than four years. It will only be a second best, for the best is world organisation for the world-wide prevention of war and the settlement of disputes as the Covenant and Pact of Paris imply.

V. THE PROPOSED AMENDMENT OF THE COVENANT

THERE is, in conclusion, one immediate question to be settled, for it has a bearing on the great issues just raised. Last autumn the British Government proposed to the Assembly of the League of Nations at Geneva that the Covenant of the League should be amended so as to take out from it the "dead wood," *i.e.*, the residuary right to go to war, and so bring it into line with the Pact of Paris. So far, so good. There is everything to be said for closing the gap in the Covenant formally, even though it has already been closed in fact by the Pact of Paris. But the Committee which was appointed to draw up amendments to give effect to the British proposal has gone a good deal further in three respects.

In the first place, by amending Articles 12, 13 and 15 so as to eliminate the right to resort to war after pacific procedure has failed, while leaving Article 16 unchanged, it has automatically extended the scope of the sanctions prescribed against a Covenant breaker in that Article. It is proposed that Article 16, instead of only coming into

The Proposed Amendment of the Covenant

force against a nation which goes to war in violation of its pledge to submit its dispute to international investigation and report for the prescribed period of about nine months, should come into force against any nation which goes to war under any circumstances. This is an extension of considerable importance, not so much because it increases the physical obligation to impose sanctions, as because it changes the conditions under which it arises and involves a difficult decision as to what is "war." It is fairly easy to decide whether a nation has gone to war in violation of its pledge to permit impartial investigation of the dispute; and in that event to impose economic sanctions; it is a much more formidable thing to undertake to apply them against any nation which in any circumstances goes to war. If such an arrangement is to be workable the Council ought to be empowered to decide when the obligation under Article 16 arises, for that Article in its present form imposes the decision, not on the Council, but on each individual member of the League.

In the second place, the Committee has recommended an amendment to Article 15 of the Covenant whereby if a report by the Council about a dispute "is unanimously agreed to by the members thereof other than the representatives of one or more of the parties to the dispute, the members of the League agree that they will comply with the recommendations of the report. If the Council's recommendation is not carried out, the Council shall propose suitable measures to give it effect." This also is a formidable proposal, for it changes the League and the Council of the League from a mediating and conciliatory body into an arbitral and deciding authority, and authorises it to propose measures whereby members shall be made to give effect to its rulings. Three objections have been raised to this course. The first is that it will force members to "play politics" in the League in order to ensure that they will always be able to prevent binding decisions being given against them.

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The second is that instead of the coercive powers of the League being usable only against nations which themselves go to war in violation of the Covenant, they may in future be invoked to give effect to a policy agreed upon by the Council. The third is that while there might be something to be said for giving larger powers to a Council which really represented the whole of the civilised world, it may be highly dangerous to the League itself to attempt to do so at a time when the Council only effectively represents Europe, and the United States, Russia and Brazil are outside the League.

In the third place, the Committee has recommended that the Council should be empowered to ask for advisory opinions from the World Court by a majority instead of unanimously. The objection to this is that the statute for the admission of the United States to the World Court was drawn up by agreement between Mr. Root and other Americans and the Council of the League, that the statute is now about to go before the Senate for ratification, that the Senate is known to dislike the procedure of advisory opinions, and that no such change in the procedure of the League, affecting the agreement with the United States, should be adopted without prior agreement with the United States.

The argument of the Committee is, in essence, as follows. The Covenant in its present form provides a solution for every international dispute, by judicial process, by arbitration, by conciliation, or, in the last resort, if these pacific methods fail, by war. By embodying in the Covenant the principle of the total renunciation of war contained in the Peace Pact, the method of solution by war is eliminated. It is therefore necessary to substitute another method for arriving at a final solution, and the method the Committee proposes is that the Council should, in the last resort, be empowered to give a decision and—inasmuch as the right of the individual nations to secure execution by war has been eliminated—to propose what collective action

The Proposed Amendment of the Covenant should be taken to give effect to its verdict. As to Article 16, the view of the Committee is that it is impossible to draw a distinction between two kinds of war makers, and that Article 16 must apply against Covenant and Pact breakers alike.

What should be the attitude of the British Commonwealth to these proposals? The answer, we think, is twofold. In the first place, changes in the Covenant of this serious nature, involving as they do an increased liability in the way of sanctions, and the conferring on the Council of arbitral powers and an increased responsibility for bringing about collective action in support of arbitral decisions, should be conditional upon some real measure of disarmament by land and sea, and upon its being made clear that the Council can propose only pacific methods for giving effect to its decisions, unless a nation has itself violated the Covenant by going to war. In our judgment peace will never be promoted by giving to any international authority the right to impose its decisions upon sovereign States by military or naval action, even though such action may be necessary against a State which itself goes to war. And it is useless to multiply the paper safeguards against war, unless their acceptance is followed by practical evidence that they have improved the security for international peace by bringing about a reduction of those national armaments which are in themselves a provocation to suspicion, competition and war. No amended Covenant will give security for peace in Europe, and against the reappearance of a new European military balance of power, unless it has some practical effect in bringing the armaments of France and Germany nearer to an equilibrium, and that by reducing the armaments of France and her associates and not by increasing the armaments of Germany.

In the second place, the question of when these amendments should be accepted should be considered in relation to the situation which has been produced by the London

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Naval Conference which has been described in this article. The core of the peace problem as it will exist during the next five years will be the question of the relations between western Europe, the United States and the British Empire. During these discussions the questions of the use and character of sanctions (*i.e.*, Article 16), of the freedom of the seas, of armaments—land, sea and air—of consultative and other pacts, are bound to be raised. Under the Hoover-MacDonald Memorandum the United States is bound to be a party to these discussions in some way—especially in regard to disarmament and the freedom of the seas. It may be that the amendment of the Covenant should be the epilogue and not the preface of the vital discussions which are due to come to a head in 1935. There is, moreover, no need for immediate hasty action. The proposed amendments add nothing to the de-legalisation of war, because that has already been accomplished by the Pact itself. On the other hand, they do enlarge the powers and duties of the Council and the obligations of members of the League in matters of vital import to the United States—*i.e.*, interference with American trade, and arbitration in disputes without prior consultation with her—and they attempt to impose additional responsibilities on the League before it has become the accepted mouthpiece of world opinion.

In the view of THE ROUND TABLE, therefore, the proposed amendments to the Covenant should be considered, not merely on their merits as legal amendments, but in connection with the general movement towards unity among all civilised Powers for the prevention of war, and towards all round disarmament. If they are adopted by general consent as part of a real advance towards collective action for the prevention of war through pacific settlement, with a consequent reduction of national armaments, they will mark real progress. If they are adopted without disarmament and without some further understanding with the United States as to how collective action against war is

The Proposed Amendment of the Covenant

to be made effective, they may weaken the League and the cause of peace by increasing the suspicion that they are merely pacific camouflage, which armaments will sweep aside when the next crisis arises. "It is good," says Bacon, "not to try experiments in States, except the necessity be urgent and the utility evident."

PURITANS AND PROFLIGATES IN FINANCE

I. A SIMPLE BUDGET

THE British people were reminded on April 14 of the true nature of all budgets. Mr. Snowden declared quite simply that the House of Commons had already voted expenditure (excluding such matters as Post Office expenditure which pay for themselves) amounting to £787,209,000, and that because existing taxes were estimated to yield only £739,645,000 he was compelled to impose additional taxation amounting to £46,580,000 in a full year. In fact, in his budget speech, the Chancellor merely divulged the means by which he proposed to raise the revenue made necessary by the policy of the governing party as expressed in expenditure already voted.

As a tax gatherer Mr. Snowden has behaved in a manner which places him on a pedestal amongst the few orthodox Chancellors of the twentieth century. He proposed that the Finance Act should contain no new and ingenious taxes, but should increase the rates of certain existing taxes—harness to which the taxpayer has long been broken—and which are therefore, from the point of view of the Inland Revenue authorities, easy and cheap to collect. In addition to the increase in income tax, surtax, death duties, beer duties, he held out also a promise to his followers, and a threat to the Opposition, of a tax on land values so soon as the necessary preparation had been finished.

On the other hand, the safeguarding duties on lace, cutlery, gloves, and gas mantles are to be allowed to lapse, and the Statute Book is to be the cleaner for the disappear-

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ance of such odds and ends of taxation as bookmakers' certificates. Certain minor concessions are made in motor vehicle duties and stamp duties upon companies formed for national purposes. Of greater importance to taxpayers are certain increases in the rate of relief given to income-tax payers in the lower levels, so calculated that the majority of income-tax payers will not be seriously affected by the increase in the standard rate from 4s. to 4s. 6d.

The proposals of Mr. Snowden and the extent to which he was not a free agent, but bound by the hands of his predecessor and by the policies of his fellow members of the Cabinet, are examined in Appendix I. This Appendix contains all the relevant statistics, which buttress the main conclusion of this article. This conclusion is that expenditure is being misapplied in an attempt to raise the already high level of non-productive social services, and that revenue is being drawn from funds to which industry normally looks for the fresh capital which it needs.

II. BURDEN OF DEBT

THE problem of the effect of taxation upon industry is complicated by the existence of the enormous burden of national debt. Because it is often argued that, in as much as taxation is devoted to the service of national debt, it is not withdrawn from savings but merely redistributed, it is necessary to analyse carefully the nature of the national debt and its effects upon saving and production.

If we look at the table on p. 505, we see that the debt service constituted 55 per cent. of the total expenditure in 1818, 14 per cent. in 1913, and 38 per cent. (or 43 per cent. excluding self-balancing revenue) in 1929. These figures, however, do not adequately reflect the effect of the debt burden on our productive resources, and in particular on industrial savings, which constitute the resources available for future industrial capital.

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The following table shows the charge over a number of years for internal debt interest, reduced to the pre-war level of prices on the basis of the *Statist* index number :—

Year		Internal Debt Interest (£ thousands)	<i>Statist</i> Index Number (1913 = 100)	Internal Debt Interest at Pre- war Prices (£ thousands)
1918-19	..	219,265	226.1	97,000
1919-20	..	283,780	261.1	109,000
1920-21	..	308,664	270.6	114,000
1923-24	..	269,914	154.3	175,000
1928-29	..	280,359	141.1	199,000

It will be seen that, despite a small decrease in the internal interest charge since 1919-20, the absolute burden measured in pre-war prices (wholesale) had increased by 61 per cent. in 1923-24, and by 83 per cent. in 1928-29.

From the practical point of view, the best way of appreciating the weight of the burden of debt and taxation is to suggest comparisons between it and the corresponding burden in other countries, or to compare the position to-day with that at some period in the past when conditions in general were similar.

Many attempts have been made to estimate the comparative burdens of taxation borne by our principal competitors with a view to measuring the extent to which British enterprise has been checked, the growth of its industrial reserves curtailed and its manufacturers prejudiced in their ability to compete with the products of less heavily taxed countries. Unfortunately, the material available is insufficient to warrant reliable statistical conclusions. The partial figures given from time to time in answer to questions in the House of Commons take no account of local taxation and omit essential information in regard to such vital matters as the total of national income, income per head, or the purposes for which the money which is being raised by the Government is to be used. It can, however, be stated with some assurance that the burden of taxation in Great Britain is heavier than in any

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other European country, and very much heavier than in the United States.

To draw a parallel with a comparable period in our own past experience we have to go back to the era following the Napoleonic wars at the beginning of last century. Having regard to the lapse of time and to what, taken over the whole century, must be regarded as a complete revolution in conditions of industry and commerce and everything pertaining to the standard of living, all parallels need to be used with very great caution. But such comparisons do serve a useful purpose in compelling us to look at the present abnormal period against its proper historical background, and so enabling us both to view our present position and estimate our prospects for the future in something more nearly approaching the proper perspective.

The following Table* indicates the growth of Government Expenditure under the various main headings during the past hundred years.

	1818	1913-4	1923-4	1928-9
		£ Million	£ Million	£ Million
Internal Debt Service—				
Interest and Management	31.3	16.9	271.5	281.8
Debt Repayment ..	1.2	7.6	28.5	52.0
External Debt Service—				
Interest and Management	Nil	Nil	35.9	29.7
Debt Repayment ..	Nil	Nil	11.5	5.5
Pensions (War and Old Age)	1.2	12.5	92.9	94.4
Defence	14.5	77.2	105.8	113.5
Other Services	6.7	54.3	182.2	172.2
Cost of Collection (Inland Revenue and Customs and Excise)	3.9	4.5	10.8	11.6
Total Expenditure.. ..	58.8	172.9	739.0	760.8
National Income	400	2,300	3,800	4,250

The similarity between the present position and that after the Napoleonic wars is in many ways remarkable. Taxation for internal debt accounted for much the same percentage on both occasions; the ratio of the total tax

* Reproduced with the addition of figures for 1928-9 from data supplied by Mr. W. T. Layton to the Committee of National Debt and Taxation.

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revenue to national income was 14.07 per cent. in 1818, and 18.89 per cent. in 1923, and 15.4 per cent. in 1929, the higher rates in the last two periods representing the marked increase in expenditure on pensions and other social services.

These figures cannot, of course, be taken to prove that the burden in 1929 was heavier than in 1818, as in the interval there has been a great increase in wealth and very material improvement in the standard of living. The real income per head, for example, is probably at least four times as great now as it was then. Besides, the poorer sections of the community suffered acutely in the depression of a hundred years ago and the distribution of taxes was far more severe on small incomes. Of a total tax revenue of £56 millions, £40 millions was raised by customs and excise duties levied largely on necessities. In 1815 the ambition of the Chancellor of the Exchequer was realised by the abolition of the income tax ; in 1930 the ambition of the Chancellor of the Exchequer is the abolition of all forms of indirect taxation excepting on luxuries.

There is, however, another side to the picture. It is impossible wholly to dissociate the remarkable ease with which the debt-burden a hundred years ago was shouldered, from the circumstance that the increase in national wealth was greatly facilitated by the fact that taxation did not fall on industrial profits. The saving power of the country was thus left unimpaired. During recent years, on the other hand, as will be shown later in this article, not only has the total of our annual savings probably been less than before the war but an important part of it has been encroached upon by national taxation, and in addition part has been squandered by such wanton acts as the general strike of 1926.

The table in Appendix II, bringing up to date certain figures published by the Committee on National Debt and Taxation, is of interest. The question naturally arises : what are the prospects of a similar alleviation of our debt

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burden over the next fifty years or so? The comfortable proposition that, just as our ancestors were able to make light of the burden of debt left by the Napoleonic wars, so we, too, may in the course of time find it easy to bear the burden which we now carry, cannot be accorded uncritical assent. The figures demonstrate the fact that the weight of debt as a fraction of national wealth was reduced during the nineteenth century, and they indicate the main circumstances which made this possible.

In the years between 1820 and 1870 relief came from the unprecedented growth of industry and transport, and in the perfection of the mechanism of credit. At the same time there occurred a rapid growth in the population, due mainly to the fall in the death rate caused by the improvement in social conditions and the standard of living. Thus the burden of debt was spread over a body of taxpayers growing in numbers and prosperity.

III. TAXATION AND NATIONAL DEBT—THE INCOME SIDE

EVEN the ten years since the Armistice have been a period long enough for the consequences of large social expenditure and heavy taxation to have their results upon trade and industry. The table in Appendix III sets out the principal sources of revenue and the changes which have occurred in its distribution in recent years and in 1913-1914. This table may be supplemented by the following figures showing the change in the relationship between direct and indirect taxation:—

Taxation per head of population

		Total	Direct	Indirect
		£ s. d.	Per cent. of total	
1913-1914	..	3 11 4	57.5	42.5
1926-1927	..	14 11 8	64.5	35.5
1927-1928	..	15 6 3	64.7	35.3
1928-1929	..	15 0 7	62.3	37.7
1929-1930	..	—	64.2	35.8
1930-1931	..	—	65.5	34.5

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These figures illustrate both the marked extent to which the principle of progression in direct taxation has developed since 1913-1914.

A common retort of those who support Mr. Snowden is that 40 per cent. of national taxation returns to the pockets of taxpayers in the form of the distribution of interest and sinking fund and national debt. But taxation on account of national debt cannot be dismissed thus lightly if we are to include its industrial implications. Quite apart from such matters as the wastage involved in the processes of taxation, the industrial consequences of such a redistribution of the national wealth and the national savings are not adequately indicated by treating it as a mere transfer of income from taxpayer to debtholder. The core of the problem is to discover what use the taxpayers would have made of the money had it remained in their businesses, and also to what use it is, in fact, put by those who receive it in the form of interest. War Loan holdings make a special appeal to people of a cautious temperament, averse to the healthy taking of risk, and the consequence of the existence of this national debt may be to discourage bold investment in wealth-creating enterprises.

As the processes of industry become more complicated the amount of capital needed to produce a unit of goods increases. This makes it steadily more necessary for investment in England to be directed out of fixed interest securities into the more hazardous categories of industrial securities. Here again it is well to repeat the hard fact that it is only rich men serving in industry and commerce who will speculate wisely in their investment. Mr. Snowden is proposing to reduce their number.

The indictment against the Labour Government is framed with no surprise that the particular crimes should have been committed. It would, indeed, have been a paradox if the formation of a Labour Government—the proclaimed champion of the poor—had been followed by retrenchment in our national expenditure on social

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services, when the nation is aware of the prodigality of their predecessors in office whom Socialist orators are accustomed to pillory—if not as oppressors of the poor—at least as the traditional guardians of the rich.

Mr. Snowden, indeed, deserves commendation both for the restraining influence which he has exercised during his term of office on the demands of his followers, and for his courage in refusing to provide, in his budget, loopholes for further redistribution of the national wealth in these directions. While some difficulty may be felt in accepting as adequate the small margin which he has allowed as the surplus of revenue over expenditure, there can be no doubt of its value as a check on the extravagant hopes indulged in by his party. His action in this matter must be read in conjunction with the very important observations with which he concluded his budget statement:—

I abate not one jot or tittle in my lifelong advocacy of great schemes of social reform and national reconstruction, but our immediate concern is to make these things ultimately possible out of a revived and prosperous industry. To that we must first direct our efforts and devote what resources we can afford to that remunerative purpose. No man can speak of the future with certainty; least of all can I give any binding assurance; but at least I can say this. So far as I can see, the steps which I have proposed for balancing this year's budget will be sufficient to ensure, in the absence of unforeseeable calamities or of heavy increases of expenditure, that no further increases of taxation will need to be imposed next year. Though, as I have said, I am imposing no new direct burdens on industry, I am fully aware of the psychological effect on trade and commerce of increased taxation even when no material burden is imposed. Recognising this, I am convinced that, whatever my views as to the equity of the present distribution of the national wealth, in existing circumstances an essential factor in ameliorating unemployment is a restoration of a spirit of confidence and enterprise among those now responsible for conducting industry and commerce. And to encourage that spirit of confidence and enterprise it is right that, so far as is humanly possible, they should know the probable full extent of their tax burden in immediately ensuing years.

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IV. THE BRITISH TRADE PROBLEM

IT is not the proposals of Mr. Snowden themselves which challenge attention, but the Chancellor's disregard of the current needs of British industry and his lack of vision as to the future of world trade. The position of isolation occupied by Great Britain's taxation policy is nowhere mentioned. In Great Britain alone the Chancellor is budgeting for an increase in revenue; other Finance Ministers are reducing the load of taxation upon their nationals and are remitting taxes on industry and commerce. This omission is the more remarkable because the additional taxation is being imposed at a moment when serious trade depression is demanding an alleviation of the burdens on industry and the adoption of a financial policy designed to restore mobility to the economic system.

The familiarity bred of long-continued meditation upon the symptoms of our industrial disorders seems to have produced if not contempt of, at any rate indifference to, the causes of the malady itself. We have had a surfeit of recommendations by successive Royal Commissions and committees of inquiry upon the profound changes in our industrial and commercial structure, but no practical results. The truth is that, in nations as in individuals, introspection is seldom a spur to action.

The facts of our case are such that it is difficult to justify any great diversity of purpose amongst political parties once these facts were properly appreciated. Forty-five million people, of whom an increasing proportion are physically or mentally unfit, are crowded into a small island. An indispensable part of the food and raw material of these people must be imported, and payment for this food and raw material must be made by the export of manufactured goods. Goods, to be exported, must be sold in competition with other countries upon the basis of price, quality

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and such other advantages as history or natural ingenuity may have distributed.

Great Britain can only compete if her wage standards are as low as those in other countries, or if, as a consequence of the combination of invention and capital, the cost of output can be reduced by the employment of machines. This demands the maintenance of mechanical and commercial efficiency at a level at least as high as that of any other country. It demands also that Great Britain must seize every advantage that can be gained as a consequence of the possession of a mercantile marine, an international banking system and expanding foreign investment channels.

Examples will drive these arguments home. If Great Britain is to continue to import meat and hides from the Argentine, she must continue to export manufactured goods, such as rails, engines, waggons, artificial silk and cigarettes to that country. The Argentine will buy from us certain goods (including most forms of consumers' goods) if our price and our quality are such as will compete with the rest of the world. But sale of capital goods is not made upon the basis of price alone, as British manufacturers, who have tried to sell electrical equipment in Canada, Chile, Brazil and Japan, know. If the Argentine Railways were in American hands, it is safe to prophesy that no important orders would ever go to British manufacturers, however low their tenders might be. Exports to-day are the fruit of enterprising investment in earlier years.

But this is a continuing process, and herein lies the importance of the budget, with its changes in the manner in which taxation is raised. Present trade is the result of past savings, and future trade will be the result of present savings. But this simple statement is only a part of the truth. Savings by themselves will not achieve their purpose unless they take shape as investment in new enterprises. If taxes are heavy not only will less money be saved but its investment will tend to be directed away

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from new and adventurous forms of enterprise, to be confined to "safe investment" and mortgages on the fruits of past commercial adventure. Present taxation hits the largest investors hardest, leaving them with neither the funds to invest nor the incentive to venture as boldly as they did in the decades before the war.

It is not enough to reply that capital will always be forthcoming for any reasonable project; that is a truism, but it does not meet the reality. The capital required for such ventures as the construction of American and Canadian railroads, the formation of Sudan cotton plantations, the making of railways in India, the creation of rubber plantations in Malaya, was provided by the speculative foresight and the willingness to take risks displayed by rich men.

Britain's problem is a double one. It is, first, to provide our population with the highest possible standard of living, having regard both to our national advantages and the competitive ability of our rivals. In the second place, it is to ensure expanding markets in the future for annual additions to the population and for those displaced by the progress of industrial efficiency.

V. THE STANDARD OF LIVING AND EMPLOYMENT

IT is a matter of pride that the standard of living of the working classes in this island (apart from those who are out of employment) is certainly higher and, when account is taken of the indirect addition accruing from the extension of social services, substantially higher than before the war. This applies in particular to the lower-paid, unskilled workers, whose earnings have retained a considerable share of the improvement relatively to skilled which they secured during the war.

Even when account is taken of the unemployed, it is manifest that the general level of comfort and welfare, in the broad sense of the terms, is higher than before the war.

The Standard of Living and Employment

Medical observers and others have repeatedly stated that there is at the present time less distress and physical deterioration among the unemployed and their dependents than was normal during even quite mild periods of unemployment before the war. Moreover, the reduction in working hours—that bright beacon in the emancipation of labour—has provided increased opportunities for leisure and opened up new means of relaxation and enjoyment. The rapid expansion of the catering and entertainment trades bears witness to the increasing advantage taken of these greater opportunities.

But this is only one side of the picture. This advance in the average standard of living has not been spread evenly over all the members of our working population. It is now a commonplace that, both as regards wages and steadiness of employment, those engaged in what are referred to as the "sheltered" occupations have improved their condition relatively to those in industries open to foreign competition.

There are, however, far graver issues involved. The obstinate refusal of the Ministry of Labour unemployment returns to fall appreciably below the million mark, even in the more prosperous periods during the past decade, as well as the more recent increase to nearly a million and three-quarters, argues that there may be a limit under existing conditions to the numbers for which we are able to provide employment at the current level of wages and standard of living. And present developments in international markets are making it increasingly difficult for many of our industries, even with their present complement of employees on existing terms, to face the competition from countries where a lower standard of living makes workmen accept lower wages. Standards of living cannot be fixed absolutely without regard to the profitableness of industry. In particular, wages contracts cannot with impunity be settled without regard to the state of production and the course of prices. For instance, the workers of a country taken as a

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whole cannot hope to maintain money wages at the existing level at a time when prices are falling unless there is an increase in the efficiency of the processes of production commensurate with the fall in the price level. This is well exemplified in the events which followed our return to the gold standard. The essence of the policy which secured our return to a gold standard in 1925 was to force down the British price level by roughly 10 per cent. in order to bring it into alignment with that of the United States, the principal gold standard country. Clearly, unless the general level of British industrial efficiency was capable of being suddenly raised by approximately 10 per cent., our passage from a paper to a gold standard could only be achieved smoothly and with the minimum of industrial dislocation, provided money wages were adjusted downwards in company with prices. To the circumstance that this readjustment has in practice proved incapable of realisation must be laid a serious responsibility, both for the persistence of our unemployment total at its high level and the continuing difficulties of our export trades. What this has involved in increased costs of production is indicated by the fact that the failure of money wages to conform to the fall in wholesale prices has, it is estimated, increased the level of *real* wages by between 5 per cent. and 10 per cent. over the past five years. The dramatic fall in wholesale prices, which followed the collapse of the Wall Street boom of last year, threatens both to prolong and intensify this maladjustment.

The increasing divergence between the levels of wholesale and retail prices and wages has given rise to serious misgivings regarding our ability to maintain money wages at their current level. It is some consolation that we are not the only sufferers from this form of maladjustment, as, in a greater or lesser degree, the other industrial countries, including the United States, have been placed in similar difficulties by the recent *dégringolade* of commodity prices. The one cheering prospect is that this may lead to con-

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certed action on the part of the national banking authorities of the countries concerned, to stave off the wage adjustments by a combined effort to inflate the world price level to a point more nearly approaching where it was earlier last year. But even if something of this kind should prove practicable, it will not wholly dispose of our difficulty. It would still leave us in the rear instead of the van of the race for supremacy in world markets. And there is always the chance that the workers of some competing country may boldly face the temporary loss of purchasing power entailed by a downward adjustment of money wages at the present juncture to benefit by the expanding employment which this sacrifice will bring when international trade again takes an upward turn.

But, whatever may be the outcome of the present impasse, its implications, from the point of view of national taxation, are clear. The higher ranges of estate duty, and the surtax, when combined with income tax, impose as heavy a burden on the largest incomes as was levied at the height of the war period. A prudent and far-seeing Chancellor—able to disregard the urge of political prejudice—would have attempted to assist industrial readjustment by seeking to curb extravagance in the standard of living by increasing not direct but indirect taxation. The desirability of mitigating the serious inroad which is being made by direct taxation on the fund from which industry normally draws its capital derives additional emphasis when we examine the present position of savings and their relation to taxation policy.

VI. TAXATION AND BUSINESS ENTERPRISE

NATIONAL savings and national production are alike dependent on the two great factors—saving and economy on the one side, work and enterprise on the other. A substantial part of saving is done by industry

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on its own account. Public Joint Stock Companies, while they look to the investing public for a continuous stream of capital, supply a large part of their needs by placing sums to reserves out of profits.

The Colwyn Committee, basing its judgment on figures supplied by the Board of Inland Revenue for the years 1922 and 1923, concluded that, in spite of income tax, aggregate reserves had been maintained at about pre-war level, after making allowance for the different purchasing power of money. This result, however, had only been achieved by companies in the mass withholding from distribution a larger proportion of their net profits after payment of income tax. The Committee were careful to point out that this fact did not warrant the conclusion that reserves had not been depleted by taxation, as there was little doubt that the more uncertain conditions of trade since the war had made industry especially anxious to conserve its resources, so that if income tax had been lower, the extra margin of trading profit would have been added to reserve rather than distributed in dividend. Industrial concerns relying on savings out of their own profits have been particularly hard hit, more especially private traders and partnerships within the surtax category.

But the effect of taxation on business enterprise is not a matter which can be discussed without reference to the state of trade at any given moment, nor can the consequences of the redistribution of wealth which it entails be appreciated apart from the general scheme of national monetary and financial policy. Much barren discussion has, for instance, been devoted to the examination of such questions as, does income tax enter into prices? The answer given to this question by economists—that income tax is not passed directly on to the price of goods and services—may quite possibly be substantially true, but this does not dispose of the business man's contention that it restricts his trading operations.

Industry is essentially a dynamic process. Business

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men's problems reduced to their simplest terms are concerned with the *flow* of goods in relation to the *flow* of money. The flow of money includes all the monies which are paid out for raw materials, wages and other elements of cost of production, as well as the sums which are received from the purchasers of the goods manufactured. Taxation is, as it were, the extraction of a given sum from this flow. The effect of this extraction will not only depend on the actual amount taken out but also on whether money is moving freely in the business on which the tax is being levied. That is to say, on whether the money which the manufacturer is expecting to receive for his contracts and orders when completed is being paid according to schedule, or whether there are delays, and whether—as has so often been the case during the past decade of declining prices—he is continually finding himself called upon to accept a lower price for his goods than that presupposed. Similarly, the effect of taking away part of the profits of his business will depend not only on whether they were to be employed to increase his reserves or paid out in dividends, but also on whether savings in general are plentiful and cheap, and are likely to continue to be so.

Analogous considerations apply to the argument that taxation on account of national debt is relatively innocuous, since it involves in the main a transfer of funds from one set of persons in the community to another. This plea cannot be dissociated from the circumstances that the total of the national savings has declined. The admission that even in 1924 the deficiency of savings below the 1913 standard was between £150 and £200 millions at current money values, makes it impossible to dismiss as unimportant the business man's contention that taxation on account of national debt discriminates against the more enterprising sections of the community. To appreciate the effect of a particular tax or tax policy on business enterprise we must know something of the general commercial and financial environment in which it is operating. It is not enough to

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know that our aggregate national savings have lost their pre-war buoyancy, and that the lack of adjustment of money wages to prices since our resumption of the gold standard in 1925 has caused wages to encroach still further upon profits.

The need for savings is not an unchanging quantity. It is arguable that a smaller volume of savings is required now than before the war because there has been a slowing down in the growth of population, so that we no longer require to devote the same amount of new capital annually to the provision of additional avenues of employment. Before the war the natural increase in the population (excess of births over deaths) was about 400,000 per annum; in the four years 1921 to 1925 the average natural increase was a little over 300,000; and by about 1950 it is anticipated that our population will be practically stationary. Taking our own labour market, it is estimated that the number of new entrants is likely to average about 125,000 up to 1931, about 46,000 from then till 1936, and about 20,000 from 1931 to 1941.*

Assuming £400 (which at the moment is probably on the high side) as the capital needed to set a man at work, the amount of new capital required to provide work for the additions to our occupied population would be approximately:—

Average per annum.

£50,000,000 up to 1931

£18,400,000 from 1931 to 1936

£8,000,000 from 1936 to 1941

As our present national savings are estimated to be between £450 millions and £500 millions, it is clear that there is ample capital—*according to old standards*—to provide the natural increase in our population both with instruments of production and an adequate standard of living, even with the present scale of direct taxation.

* On this subject see THE ROUND TABLE, No. 72, September 1928, pp. 777-797.

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These figures, however, really only show that our need for savings in the future cannot be gauged from experience in the past. The capital sums mentioned represent only a small fraction of the savings required. Capital must also be found to cover losses due to wastage and obsolescence of assets, and to provide for factories, plant and machinery equipped with the latest improvements and inventions, and to promote research in new methods and markets. Again, the figures are exclusive of savings needed for investment abroad which, as we have argued, should be especially important for the development of exports to secure the maintenance of food and raw material supplies. The sufficiency or otherwise of savings in all these directions is involved in the question as to whether the country can maintain not merely the *status quo* of production and the standard of living, but also a rate of improvement per head comparable with that of some periods in the past or with that now shown in the United States of America. Finally, a major revival of international trade might open up opportunities requiring a large expansion in the rate of savings, if they are not to be neglected.

This brings us to the second test of the adequacy of our national savings, namely, their destination as expressed by the manner in which they are invested. In what direction are our savings at present flowing? To what extent can the uses to which they are now being put be said to provide the new capital equipment needed to prepare the way for this country to participate to the full in any upward swing in the trade cycle, and in general to increase our wealth-producing capacity as a nation, which is what we imply by industrial progress? These matters lie at the root of the problem of savings, and its relation to taxation. Our national savings may be ample in quantity, but unless they are wisely applied we may be like the job-master who bought new horses to compete against the railway engines.

It is when we endeavour to test our theoretical deductions

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regarding the relation of savings and taxation and the problems of the redistribution of the product of industry to which they give rise, against the actual conditions of the present day, that we begin to feel serious qualms regarding the practical validity on which they are based. No one will deny that, despite the apparent sufficiency of industrial "oil" the lamp of prosperity in many of our industries is burning very low. Falling profits and growing unemployment in one set of industries are no longer being offset by increased profits and the absorption of workers in others—as would be the case if industrial progress and the flow of savings were following their traditional course.

For a time such a transfer did appear to be proceeding, though at a very modest speed. More recently, however, there have been increasing signs of inertia and decreased mobility. The labour turn-over has become increasingly sluggish; even the unexampled prosperity of the United States last year failed to stimulate the outflow from our shores of the modest number of emigrants permitted under the limited post-war United States immigration quotas. Similarly, recent investigations into the direction of the investment of our savings suggest that, whereas before the war approximately 30 per cent. flowed into such channels as mortgages, insurance companies, building societies and the like, and some 70 per cent. into industry and new ventures, in the post-war world the position has become gradually reversed until over two-thirds of our savings go into "safety" investments.

What is the explanation of these changes? Why has the virtue apparently departed from the British economic system? Obviously it is unwise to endeavour to lay the blame at the door of any single circumstance—even taxation. But, having regard to the stress which we have laid on those factors which have tended to deprive our industrial system of its vital element of fluidity, such as for example, inflexible money wage rates and the increasingly sluggish flow of both labour and capital, an important place must be

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given to those general influences which are usually referred to under the term "monetary policy."

The problems involved are partly national and partly international. The monetary problem is fundamentally a problem which faces all nations. All the principal countries of the world, not excepting the United States, are at the moment suffering from a fall in commodity prices which, it is generally agreed, is in a large measure attributable to a dislocation of the gold standard and the machinery of international finance. Until recently, owing to the position of London as the principal international financial centre, and clearing house for gold, the brunt of the resultant maladjustments were being borne by Great Britain. Our original difficulties have been the over-expansion of certain industries during the war, the closing of traditional markets for our goods by new tariff barriers, and in general the failure of international trade as a whole to regain its pre-war resiliency in face of the movement towards economic nationalism engendered by war-time jealousy and isolation. Superimposed upon them has been the lack of elasticity in the gold supply which has persistently depressed British prices.

Our knowledge of the actual steps by which any inelastic money supply results in a general slowing up of trade is unfortunately very scanty. Recent experience does, however, provide one clue. Attention has already been drawn to the tendency for savings to be diverted from investment in new ventures and to be, as it were, re-lent to existing establishments in the form of loans to make up past losses, as well as for the aggregate of savings itself to fail to expand owing to continued business losses.

But this is probably a part only of the story of the reaction of a falling price level on the fund of savings. The product of industry may be regarded as divisible into three parts: the portion going to wages and the payment of those responsible for production, the portion going to taxation and debt, and lastly the portion left over for profits.

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Since the shares going to wages, taxation and debts are more or less fixed in terms of money, the amount by which the payments received by traders in their businesses falls below what they budgeted for (that is, cost of production plus a reasonable profit) is borne wholly by profits. To the extent to which the manufacturer feels called upon to offset these losses in profit by borrowing capital, he is dissipating the fund of savings available for *new* investment in such things as new plant and buildings. It is easy to see how in a period of more or less continuously falling prices associated with a more or less rigid wage system, high taxation and a heavy load of indebtedness, a vicious circle, accompanied by persistent unemployment, is set in motion. The bearing of this on the budget is that, since a large part of the national expenditure goes to pensions, war loan holders, and the class known as *rentiers*, whose claims on the national wealth are fixed in money, the encroachment on the profits of industry increases as the price falls.

This is the environment in which Mr. Snowden, with his policy of looking at taxation as if it were little more than a question of seeing how many eggs can be removed from the golden goose without stopping her laying, has decided to impose still heavier burdens on the higher levels of income—and consequently the incomes providing most savings; while at the same time reducing the contributions of the consuming classes by refusing to renew the safeguarding duties and by increasing expenditure on social services.

But, as we have already insisted, taxation cannot be treated as a static problem, or the cutting up of an existing cake; it is a dynamic and moving problem. Mr. Snowden has merely added to industry's difficulties in escaping from its vicious circle by reducing still further the quota of profits remaining to industry for investment, while maintaining the already excessive share of the national product going to wage-earners and others who are already taking

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too much out of the common pool; both of these steps must discourage entrepreneurs still further from providing channels of investment for savings in British industrial enterprises.

That the buoyancy of the national revenue is already exhibiting signs of flagging is suggested by the following figures showing the net produce of income tax in Great Britain and Northern Ireland:

Standard Rate				Net Yield of
In the £				Income Tax
				(£'000)
1925-1926	4s.	..	..	236,040
1926-1927	4s.	..	..	233,688
1927-1928	4s.	..	..	227,022

These figures have not been adjusted to allow for certain variations in abatement and graduations. But making the fullest possible allowance for these adjustments they remain disquieting.

VII. LEADERSHIP, ENTERPRISE AND EXPENDITURE

AN ever-present danger in the changing world of to-day is the readiness of politicians to rely on statistical abstracts and similar excerpts from the records of past achievement, neglecting the more vital though less ponderable factors which have produced these results.

Initiative, the willingness to take risks, and all the other qualities of race and character which went to make the inhabitants of these islands the pioneers in industrial adventure in the past, are out of place within the covers of a Blue Book. These mainstays of our industrial strength, despite their apparent outward invincibility, are innately susceptible to the forces of destruction and decay. Years of neglect may leave them apparently unscathed, but once decay begins it is as insidious and deadly as the stealthy dry-rot in the beam. The whole inner mass may be eaten away before the outer structure has shown the first signs that the ravage has begun.

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If budgets were introduced but once in ten years and the measures in the Finance Act allowed to run for a decade, it would be an easier matter to estimate the consequences of a particular policy on the structure of our industrial system, and its ability both to withstand the forces of destruction and to adapt itself to the continuing changes in the general environment.

As it is, each year sees new proposals and, by the over-laying of one impression by another, causes become separated in our minds from their effects. The danger is that an over-ready acquiescence in the new expenditure of the Socialist party and the additional taxation which it has made necessary may blind the electorate of this country to the connection between governmental policy and industrial depression.

At this moment there are two developments which must be arrested if our population is to be maintained in the comfort to which it has become accustomed. These are the growing irresponsibility of voters and the diminishing incentive to enterprise. The suffrage has now been so far expanded that any man or woman of over 21 who can make his or her way to the polling booth is entitled to vote. To this mob the strongest argument is always the direct appeal to selfishness—"Vote for me and you shall have more money with less work"—and to-day all parties compete to devise attractive baits to whet this insatiable appetite. The immediate consequence of the larger number of Socialist members elected in May, 1929, was the increase in expenditure upon unemployment relief in November, and the levying of additional taxation upon large incomes in April. As the divorce between wealth and responsibility becomes greater, so does it become increasingly easy for party managers to capture votes by making promises the fulfilment of which in Acts of Parliament must be disastrous to any nation. Great Britain is not the only country in which this tendency is visible, other victims are Australia, Germany and Austria.

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Taxation and the irresponsibility of voters aggravate the situation by weakening the incentive of those responsible for the conduct of industry to put forth their utmost efforts. There is undoubtedly a strong element of altruism in the work of most business men, and the most powerful industrialists have often shown great statesmanship. But the stronger the conviction that the policy of the country is in the hands of demagogues who play upon the vanity and hunger of the crowd, the weaker is the incentive to work unsparingly in the attainment of rewards which may be snatched away before their creator has had time to grasp them. High rates of taxation, spent in ways which he does not approve, dishearten the industrialist who in the past would have devoted his knowledge and ability during the best years of his life to the management of a business in the strenuous competition of the world. During a period such as that through which we have been passing in the past five years, when commodity prices have been falling and industrial profits subnormal, psychological influences of this kind operate strongly. They are a definite inducement to such men to withdraw from the hazards of production and enjoy a life of leisure, disposing their funds abroad in Toronto, New York or Amsterdam.

VIII. BRITISH FINANCIAL POLICY AND THE FUTURE OF WORLD TRADE.

THE argument that the budget introduced by Mr. Snowden threatens to aggravate the economic difficulties from which Great Britain is suffering may easily create a false impression as to the actual state of affairs. The seriousness of our problems of taxation and unemployment can be exaggerated. The total of our income tax and surtax does not amount to more than some 7 per cent. of the national income, and only a part of this sum can be said to represent funds abstracted from the proceeds of

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industry. Our unemployment problem, if we exclude that part of it due to the temporary trade cycle depression through which we are now passing in company with the rest of the world, is probably not even a 7 per cent. problem—taken in the aggregate. Our unemployed returns represent one of the most meticulously collected and detailed compilations of industrial statistics in the world. They even include some 300,000 unemployed persons who are guaranteed employment within six weeks. The weight of taxation, indeed, has at least this consolation, that part of the funds expended are spent upon objects that are socially desirable if not always economically justifiable under existing conditions.

In the second place, the discovery of a new source of gold supplies is not the only possible method of arresting the fall in the world price level. Existing gold supplies would be more than adequate to maintain the present supply of credit if they were properly distributed. And the world may even devise means of regulating credit without the use of gold. Such redistribution of gold and such credit control may be arranged through the co-operation between central banks that has recently produced the Bank for International Settlements.

Lastly, we are not alone in our difficulties. The world as a whole is still out of joint as a result of the convulsion of the world war. While for a time it seemed possible that the United States was breaking new ground in her calculated disregard of the spirit of internationalism, the events of the past six months have brought home to her the fact that the road of economic nationalism is not an easy one to travel. Along the road of industrial progress it does not appear to be true that "he travels the faster who travels alone."

Co-operation between nations in industrial and financial matters is at last beginning to be effective. Against the failure to implement the pious resolutions of the Geneva Economic Conference of 1927 must be set the various

British Financial Policy and World Trade

international arrangements which, in growing numbers, are year by year bringing the national units of the individual industries of the world into closer union. On the financial side the formation of the Bank for International Settlements is the fruit of much painstaking, and at times almost disheartening, effort in the cause of economic peace. All these are clear signs that the industrialists and bankers of the world, at any rate, are once again recognising the old truth—that the forces of world progress must in the long run inevitably triumph over the artificial limitations of political frontiers. And it can surely be only a matter of time before this recognition spreads to the politicians. We may yet see the economic experience of the years following the Napoleonic era repeated, but in a world with its knowledge increased and its vision enlarged by the experience of a century of stupendous invention and discovery in the fields of nature and science.

In 1820 England was almost a self-contained country. Her trade with other countries, though not unimportant, was not essential to the life of her people. By the outbreak of the world war in 1914 the world had become a single economic unit. The subdivision of the work of providing the world's needs had proceeded so far that almost every country was dependent upon others for some of its comforts and necessities of life. For example, only a small fraction of Great Britain's population could be fed from the produce within her shores, and the supplies of her essential industrial raw material were drawn from the four quarters of the globe. Even America had to import the bulk of the rubber, tea, coffee and platinum she needed. Up to 1850 trade with new countries was in the main with coastal towns, whose hinterlands were still undeveloped, and ocean transport development was in the ascendant. Later, the inland regions were brought into the channels of world trade by the building of railways to link them with the coast. Great Britain was the leader in these developments. The United States, Germany, South America, India, Canada, South

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Africa, Australia, New Zealand and other countries were added to world commerce largely through the instrumentality of the industrial and financial assistance afforded by Great Britain. Our coal and iron combined with the skill of British labour enabled us to supply ever-increasing quantities of steel and engineering products and other materials needed for the development of transport both on land and sea. Our cotton trade provided clothing for hot countries and our woollen mills for cold. London was the centre in which all countries kept their fluid balances and in which were cleared all their varying transactions. The war struck a vital blow at this system and, by almost obliterating some of its most essential links, forced the development of small self-contained units. As a result, world trade, which before the war was principally "complementary" and only incidentally "competitive" in character, has been recently increasingly confined to competitive channels.

Many leaders in industry, however, who have pondered on the fact that the period of the greatest industrial advance in this country (1896-1914) was also the period which saw the most rapid development of the trade of those countries which were regarded as our most dangerous rivals, have, ever since the war, consistently refused to acquiesce in the disappearance of the old "internationalism." While some have employed the intervening years in devising means of reviving and reconstituting the old system and its channels, others have been engaged in seeking to replace it by a new. The old "international" system sought to secure freedom of movement for the forces of material progress by the slow process of widening and improving the established roads and communications of the ancient "national" centres of industry and commerce, in the face of the persistent obstruction of local custom and national jealousy. The leaders of the new movement, on the other hand, disdaining a task which time and the accumulated lumber and dislocation of the war period have rendered increasingly difficult,

Appendix I

have turned their energies in new directions and are busily engaged in constructing by-pass roads around the old centres. This movement, which has already secured important adherents among the more imaginative leaders in the fields of industrial manufacture and raw material production, is world-embracing in its scope. It is committed to no preconceived or deliberately ordered "five-year plan," nor are its ranks, like those of the supporters of the iconoclastic Russian dream, confined to the upholders of any particular economic creed, or the inhabitants of special areas of the globe. Its weapon is peaceful penetration. It is "too proud to fight," not from any disbelief in the efficacy of war or lack of response to its adventurous appeal, but simply because war, having outlived its usefulness in the scheme of commercial development, has, like the hand-loom and the stage-coach, been discarded to be superseded by a more effective appliance. Business has been raised to a higher power. The chosen instrument is cosmopolitan unification; the directive and creative control of the world's staple industrial resources and services on international co-operative lines the ultimate objective.

If the upholders of the old system—whether they be industrialists, bankers or chancellors of the exchequer—obstinately refuse to take cognisance of this change in the international outlook, they must be prepared to awaken one day to find that they too have been passed over in the stream of world progress.

APPENDIX I

The Financial Year 1929-30

The following table shows the disappointment of Mr. Churchill's budget estimates both in increase of expenditure and decrease of revenue :—

		Expenditure.	Revenue.
Estimated	822,674,000	827,010,000
Actual	829,494,000	814,971,000
Difference	+ £6,820,000	- £12,039,000

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The chief increase in expenditure was caused by supplementary estimates on behalf of the Ministry of Labour for the Unemployment Insurance scheme.

The principal changes in the yield of taxation are set out in the following table—it is shown that there were large deficiencies in the yield of all the more important direct and indirect taxes :—

Receipts in 1928-29.	—	Budget Estimate for 1929-30	Receipts in 1929-30.	Receipts more (+) or less (—) than Budget Estimate.
ORDINARY REVENUE				
INLAND REVENUE.				
237,620,000	Income Tax	239,500,000	237,426,000	— 2,074,000
56,150,000	Sur-tax, including arrears of Super Tax	58,000,000	56,390,000	— 1,610,000
80,570,000	Estate Duties	81,000,000	79,770,000	— 1,230,000
30,060,000	Stamps	31,000,000	25,670,000	— 5,330,000
850,000	Excess Profits Duty and	1,700,000	2,250,000	+ 550,000
850,000	Corporation Profits Tax }			
840,000	Land Tax, etc	800,000	880,000	+ 80,000
406,940,000		412,000,000	402,386,000	— 9,614,000
CUSTOMS AND EXCISE.				
118,972,000	Customs	119,850,000	119,888,000	+ 38,000
134,000,000	Excise	130,550,000	127,500,000	— 3,050,000
252,972,000		250,400,000	247,388,000	— 3,012,000
MOTOR VEHICLE DUTY.				
4,226,000	Exchequer Share	4,700,000	4,920,000	+ 220,000
TOTAL RECEIPTS FROM				
664,138,000	TAXES	667,100,000	654,694,000	— 12,406,000
8,100,000	Post Office Net Receipt ..	8,900,000	9,200,000	+ 300,000
1,210,000	Crown Lands	1,250,000	1,290,000	+ 40,000
Receipts from Sundry				
28,111,000	Loans	30,550,000	32,640,000	+ 2,090,000
Miscellaneous :—				
13,143,000	Ordinary Receipts	12,500,000	10,433,000	— 2,067,000
43,402,000	Special Receipts	26,000,000	25,932,000	— 68,000
758,104,000	TOTAL ORDINARY REVENUE	746,300,000	734,189,000	— 12,111,000

The Financial Year 1930-1931.

The original sin of Parliament is in the voting of increased estimates. The several headings under which expenditure is divided are shown in the following table :—

Appendix I

ESTIMATED 1930 EXPENDITURE

Interest and Management of National Debt	..	..	..	£	304,600,000
Payments to Northern Ireland Exchequer	..	..	..		6,000,000
Miscellaneous Consolidated Fund Services	..	..	..		3,300,000
Total	..	..	..		313,900,000
Supply Services—				£	£
Defence—					
Excluding	{	Army	..	..	32,117,000
Pensions	{	Navy ..	..	..	43,070,000
		Air Force	..	..	17,584,000
					92,771,000
Pensions	{	Army	..	..	8,383,000
	{	Navy ..	..	..	8,669,000
		Air Force	..	..	266,000
					17,318,000
Civil—					
I Central Government and Finance	..	..	..	2,066,000	
II Imperial and Foreign	..	..	..	5,890,000	
III Law and Justice	..	..	..	15,897,000	
IV Education	..	..	..	55,138,000	
V Health, Labour, Insurance (including Old Age and Widows' Pensions)	..	..	..	96,996,000	
VI Trade and Industry	..	..	..	12,320,000	
VII Buildings, Rates, etc.	..	..	..	8,486,000	
VIII War Pensions and Civil Pensions	..	..	..	54,244,000	
IX Miscellaneous	..	..	..	142,000	
X Exchequer Contributions to Local Revenues	..	..	..	44,507,000	
					295,686,000
Tax Collection—					
Customs and Excise and Inland Revenue Votes (including Pensions, £898,000)	..	..	..	12,134,000	
					417,909,000
TOTAL 1930 EXPENDITURE	..	..	..		731,809,000
National Debt—Sinking Fund	..	..	..	..	55,400,000
Surplus	..	..	..	..	2,236,000
					789,445,000

The supply services require a total of £417,909,000, leaving out of account the self-balancing services. The fighting services show a reduction of over £2½ millions over the 1929-30 estimate, whilst the civil votes need £295,686,000, although this figure is not strictly comparable with the civil estimate for the previous year, owing to the operation of the financial provision under the local government Act, the effect of which has been to increase civil estimates by £30,000,000 subject to a set-off of £15,000,000 to the consolidated fund charges. If the effect of the derating schemes be excluded from the budget figures, the estimated cost of the civil services is £16,000,000 higher than the actual expenditure last year, though

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£27,000,000 above the civil estimate which excluded supplementary grants. Of the £27,000,000 increase, £14,000,000 arises from additional grants and £5,000,000 out of the additional contribution in respect of widows, orphans and old age pension Act. The consolidated fund services require £313,900,000, which is £14,900,000 below the 1929 estimate due to the transfer of the payments to local taxation accounts to the civil votes. Total ordinary expenditure therefore increased by £39,945,000 to £781,909,000 and, with the addition of the self-balancing items, by £43,160,000 to £865,834,000.

The means by which the Chancellor hopes to obtain the additional £40,000,000 of revenue to meet ordinary expenditure are set out in the following table :—

ESTIMATED 1930 REVENUE

<i>Inland Revenue—</i>							£	£
Income Tax	..	..	..	..	..	..	260,000,000	
Surtax	..	..	..	..	..	..	64,500,000	
Estate Duties	..	..	..	..	..	..	83,000,000	
Stamps	..	..	..	..	..	..	27,000,000	
Excess Profits Duty	}	..	..	..	..	..	1,700,000	
Corporation Profits Tax		..	..	..	..	..	800,000	
Land Tax, etc.	..	..	..	..	..	..
Total Inland Revenue							..	437,000,000
<i>Customs and Excise—</i>								
Customs	..	..	..	..	..	..	122,710,000	
Excise	..	..	..	..	..	..	129,860,000	
Total Customs and Excise							..	252,570,000
<i>Motor Vehicle Duties—</i>								
Exchequer Share	..	..	..	..	..	..	..	4,950,000
TOTAL RECEIPTS FROM TAXES							..	694,520,000
Post Office net receipt	..	..	..	..	..	..	..	10,125,000
Crown Lands	..	..	..	..	..	..	..	1,300,000
Receipts from Sundry Loans due to British Government	..	..	..	..	..	..	..	33,000,000
Miscellaneous	..	..	..	..	..	..	..	34,500,000
TOTAL 1930 REVENUE							..	773,445,000
Appropriation from Rating Relief Suspense Account	..	..	..	..	..	..	..	16,000,000
								789,445,000

So far as the actual deficit of £14½ millions arising from the operations of the year 1929-30 is concerned, special provisions for additional debt redemption of £5,000,000 a year during 1930-31 and 1931-32, and £4,500,000 in 1932-33 are to be made, so that by the end of March, 1933, it will be wiped out.

Appendix II

The most important changes announced in the budget were those which applied to income and surtax. The standard rate of income tax was increased from 4s. to 4s. 6d., giving a higher revenue of £23,500,000 in the current year and £29,000,000 in the full year. Whilst the standard rate was raised, a revision on the previous graduations was enforced with a view to protecting the small tax payer. Instead of granting a relief of half the standard rate on the first £225, an abatement of 2s. 6d. is granted on the first £250. This change in graduation is estimated to cost the exchequer £2,500,000 in the current year and £5,000,000 in a full year, so that the net result of the raising of the standard rate was to produce an estimated increase of £21,000,000 in the current year and £24,000,000 in a full year. That this step was taken with a view to relieving the small incomes and encroaching upon the higher incomes is indicated by the fact that three-quarters of the taxpayers will not be affected by the change in the standard rate. In addition, the scale for the surtax was also raised, the initial rate being from 9d. to 1s. in the £, and on incomes in excess of £50,000 from 6s. to 7s. 6d. This is estimated to produce £7½ millions in the current year and £12½ millions in the full year. Certain alterations were also made to the scale for estate duties to yield an additional £3,000,000 in the current year and £7,000,000 in the full year.

In the aggregate the increase in revenue due to these alterations is estimated at £33,800,000 in the current year and £46,580,000 in a full year.

APPENDIX II.

Date.	National Income	National Debt	Debt Charge	Popu- lation	Income per head	Approx- imate Debt Charge per head	Index Number (based) on Jevon's and Sauer- beck)	Index Figure of Income per head (1818= 100)	Index Figure of Debt Charge per head (1818= 100)
	£ mil- lions	£ mil- lions	£ mil- lions	£ mil- lions	£ s.	£ s. d.			
1818..	400	840	32.5	17	23 11	1 18 0	160	100	100
1864..	814	816	28.9	29.7	27 8	0 19 0	105	177	76
1875..	1,200	766	27.4	33	36 7	0 16 6	96	257	72
1891..	1,600	682	25.2	38	42 2	0 13 3	72	397	77
1913..	2,300	656	24.5	45.9	50 2	0 10 6	85	400	52
1924..	4,250	7,641	347.3	44.9	94 9	7 14 4	139	462	472
1925..	4,150	7,598	357.2	45.0	92 4	7 18 9	136	461	489
1928..	4,250	7,528	378.8	45.6	95 3	8 6 1	120	539	583
1929..	4,400	7,500	369.0	45.7	96 5	8 1 6	114	574	583

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APPENDIX III

TOTAL NET RECEIPTS

	1913-14	1924-25	1926-27	1928-29
	£	£	£	£
	thousand	thousand	thousand	thousand
(1) INLAND REVENUE DUTIES				
Income Tax	43,902	275,456	230,136	237,275
Super-Tax	3,339	62,989	66,296	56,214
Death Duties :—				
Estate Duty	21,649	50,514	59,086	72,231
Legacy and Succession				
Duties, etc.	5,517	8,403	8,346	8,789
Stamp Duties	9,983	22,758	24,869	30,134
Inhabited House Duty ..	1,994	491	8	1
Land Tax	690	722	632	623
Excess Profits Duty ..	—	2,758	4,584	1,196
Corporation Profits Tax	—	18,005	3,875	817
Land Values Duties ..	735	253	216	210
Total	87,809	442,349	398,048	407,489
(2) CUSTOMS AND EXCISE DUTIES				
Tea	6,499	5,971	5,953	5,740
Sugar, etc.	3,328	20,532	18,784	15,288
Other Foods	1,078	1,650	1,092	1,596
Tobacco	18,284	51,913	53,859	59,087
Spirits	23,976	51,054	43,553	45,667
Beer	13,655	81,987	84,196	75,825
Wine	1,152	3,752	4,329	4,248
Entertainments	—	6,249	5,729	6,004
All Other Duties	7,255	11,317	22,493	39,364
Total	75,227	234,425	239,988	252,819

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THE last ROUND TABLE article from India* ended with the following paragraph :

Mr. Gandhi and the two Nehrus now find themselves isolated not only from all other political parties, but even from the right and left wings of Congress. There are critical days ahead of the Indian Government, for the passions aroused among those present at Lahore (*i.e.* the delegates to the All India National Congress, held at Lahore last December) can hardly be expected to subside without being translated into violence of the kind with which India has become painfully familiar during the past two decades. But the Benn-Irwin policy.....will be consistently followed to its appointed end.

As all the world knows, the critical days for the Indian Government have arrived, but it is not perhaps so generally realised that the rest of the above paragraph is also true. Gandhi and the Nehrus are still isolated from most of political India, even from many of the most influential of their old party, the Congress party. At the moment of writing, scarcely a single first-class name in Indian politics has become associated with Mr. Gandhi's latest movement. On the contrary, accredited spokesmen of all communities, leaders of the Hindu Mahasabha, which represents all that is most solid and respectable in orthodox Hindu opinion, leaders of all shades of Mahomedan opinion, conservative and advanced, orthodox and liberal, the leaders

* See THE ROUND TABLE, No. 78, March 1930, p. 332.

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of the non-Brahmin party of southern India, and recognised leaders of such important groups as the All India Liberal Federation and the Responsive Co-operators, whose chief strength is in the Mahratta country of the Bombay Presidency and the Central Provinces, dissociated themselves from Mr. Gandhi's action. Though extremely critical of the Government's actions they obviously preferred the policy outlined in Lord Irwin's now famous pronouncement of October 31 to that. The opposition of the leaders of the Mahomedan community and the non-Brahmin party is of particular importance, for they represent the solid and unanimous opinion of communities each of which equals in numbers the population of the whole of Germany. Throughout his present civil disobedience campaign, Mr. Gandhi has had little or no support except the kind which he had at Lahore, *i.e.* that of immature youths, of heedless devotees and of extremists who often want to use his name and influence to further plans from which he would have shrunk in horror if he were able to recognise them for what they are. The character of the disturbances which have marked the progress of Mr. Gandhi's proceedings since he left his house at Ahmedabad are proof enough that this is no national uprising for freedom, as the world is invited to believe. Where the disturbances have not consisted of mob violence of the crudest and most irresponsible type, they have been, as at Chittagong, the work of organised revolutionaries, poles apart both in their ideals and in their methods from Mr. Gandhi, who has never ceased to preach non-violence as the basis of his political creed. Their aims, indeed, are not only different from but bitterly opposed to his. But these are the men into whose hands his movement would speedily pass if he met with even a temporary success in his efforts to paralyse the administration. There is, however, no possibility of his meeting with success, for, quite apart from the competence of the Indian Government to control the situation, he has not the responsible elements of Indian society at his back, and it is, too, worthy of note that

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during the last few weeks, the opposition has become increasingly vocal. But this is a matter to which we shall return later.

I. POLITICAL INDIA

OUR chronicle of Indian events was, last March, carried up to the middle of January, and at that time, as has been seen, the outlook was uncertain and distinctly unpromising. The brightest spot in the whole scene was the public declaration forced from Mr. Gandhi by the course of events at Lahore and by the unanimous opposition of all whose support was worth having to his independence creed, that India was not ready for civil disobedience, and that in consequence the great civil disobedience campaign, which, according to the resolution passed by the All India National Congress at Calcutta in December, 1928, was to start on January 1 this year, could not be inaugurated. This declaration was made early in January, after the meeting of the All India Liberal Federation in Madras had sealed the approval of Indian Liberals of the policy contained in the Viceroy's pronouncement of October 31. They were thus in agreement with the Hindu Mahasabha party, the Responsive Co-operators, the Khilafatist Mahomedans and other old friends and supporters of Mr. Gandhi's who had opposed him at Lahore and declared their preference for Lord Irwin's policy as against the barren programme of non-co-operation. It looked, therefore, as though India might have a quiet period in front of her, which would allow the many parties and interests who had already decided to participate in the London Conference to consolidate public opinion in its favour and, better still, to come to some agreement as to the lines along which further political and constitutional progress should proceed. On the other hand, signs were not wanting that the old terrorist organisations were beginning to renew their

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activities. Bomb factories were found and raided in Calcutta, and bomb carriers arrested in Lahore and other places. The proselytising of student youths by extremists, who were revolutionaries in intent if not in name, was going on briskly and the fires lit at the Lahore congress were being fanned all over the country. Labour in Bombay, Calcutta and on some of the Indian railways, particularly on the Great Indian Peninsula railway, was in a state of unrest, and the last quarter of January was to see a general strike declared on that railway as a result of the influence of professional agitators and politicians. Yet, in spite of all these unpromising factors, competent observers of the situation were agreed that no serious trouble need be anticipated in the country in the near future, provided Mr. Gandhi held his hand, and it was generally believed that, isolated as he was, with practically no following for civil disobedience or non-co-operation except the mob and immature youths, he would hold his hand. This belief was naturally strongly reinforced by his public declaration. Thus, when the winter session of the Indian Legislature opened at Delhi in the third week of January, there were, on the whole, fair prospects of a quiet session marred by no such political crisis as had disturbed the two or three preceding sessions of the Legislative Assembly, which would afford opportunities for representatives of all parties and interests opposed to the Gandhi-Nehru programme of independence to hold joint meetings and get ready for the London Conference. These hopes were greater in view of the resolution accepted by the majority of the delegates to the All India National Congress at Lahore, that members of the Congress party in all the legislatures, central and provincial, should forthwith resign their seats. In obedience to this mandate, about one-third of the members of that party in the Legislative Assembly had resigned their seats, and of these it was known that some would not seek re-election, whilst others would be defeated when they did so. In any case, the purely

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obstructive and automatic opposition to the Government in the Assembly was bound to be weakened. The hopes of a quiet and uneventful session were, however, dashed at the very outset by an incident to which it is necessary to refer, not because of its own intrinsic importance, but because of its influence on the course of the session and on the general political situation.

The bomb incident in the Legislative Assembly in April, 1929, naturally focused attention in the most sensational manner on the question of how members of the Assembly and of the public who visited the House were in future to be protected from such outrages, and during the autumn session a committee representative of all parties was appointed, under the title of the Watch and Ward Committee, to draw up a scheme for the future protection of the galleries and the precincts of the Assembly building generally. The Home Member of the Government of India presided over this Committee which reached conclusions unacceptable to the Government. The Committee favoured the establishment of a special staff under the orders of the President to carry out the duties of watch and ward which had hitherto been discharged by the police. Until a special staff could be recruited and properly trained, the Committee suggested that plain clothes policemen should replace the uniformed men who had previously done the work. The Government, however, conscious of the urgency of their own responsibility in the matter and with the more intimate knowledge which their resources gave them of the extent of the danger, declined to accept the Committee's views. The legal aspect of the matter was determined by the Police Act of 1861, according to which the Provincial Government concerned was entrusted with the control of the police within its jurisdiction and with executive authority to take measures for the protection of life and property. The Provincial Government in this case was the Chief Commissioner of Delhi and this official also came to the conclusion that he could not properly

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discharge the duties assigned to him by the law unless the galleries were protected by uniformed police whose authority would be at once apparent and consequently beyond the risk of legitimate challenge. With these views the Home Department of the Government of India agreed, and, shortly before the opening of the session in January, the Government's conclusions were communicated to the late President of the Legislative Assembly, Mr. V. J. Patel. Mr. Patel has lately resigned his office in order to take part in Mr. Gandhi's civil disobedience movement, and in his letter of resignation to the Viceroy he stated that, even while he occupied the Chair of the Assembly, he was in complete sympathy with "every movement designed to create a condition which might make it difficult, if not impossible, for the British rulers to carry on in the country." Readers of this review will no doubt remember actions of his which aroused controversy during the last two or three years: his refusal, for instance, last year to allow the Public Safety Bill, a measure designed to protect India from the activities of foreign communist agitators, to be discussed pending the completion of the Meerut conspiracy trial.

However, to return to the "watch and ward" question, on receiving the Government of India's decision with regard to the recommendations of the Watch and Ward Committee, Mr. Patel, instead of taking the matter up with the Government, made a sudden and entirely unexpected announcement to the Legislative Assembly, declaring that the privileges of the House had been assailed and giving his own account of the whole affair. He refused to allow the Home Member, who is also leader of the Assembly, to reply on behalf of the Government to this announcement, and when the Government, which had no other course open to it, issued a communiqué explaining the legal aspect of the business, and detailing the facts, Mr. Patel made a further statement in the Assembly in which he virtually impugned the good faith of the Home

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Member, and once again refused the latter a hearing. The natural course in any other session would have been for the Government to move a motion of no confidence in the Chair. The circumstances of the present session, however, obviously made such a course inadvisable in the best interests of the country. In the first place, the Congress party benches were practically empty, since many of those who refused to resign their seats in obedience to the Congress mandate had not put in an appearance, and the House was in consequence a thin one, with the Government and its supporters in an easy majority. For this reason alone the ejection of the President by means of a vote of the Assembly would have been most unsatisfactory. But there was another extremely important objection to the removal of the President in such a manner. The Nationalist party, in the virtual absence of the Congress party, had succeeded to the latter's position as the left wing of the Opposition to the Government. The Nationalist party in the Assembly is entirely Hindu and comprises the representatives of the All India Hindu Mahasabha, the Responsive Co-operators who left the Swaraj or Congress party, five years ago, and the Indian Liberals. The members of this party had no personal feelings in the matter, but they had let it be known that if Mr. Patel were removed from the Chair by an adverse vote they would leave the Assembly with him and not return. Such action on their part would have left the Assembly almost if not entirely devoid of Hindu elected members. If a Nationalist "walk-out" had taken place, moreover, the feeling aroused in the country would in all likelihood have rendered it impossible for the different sections of the Nationalist party to proceed with their intention of taking part in the London Conference, and the policy set forth in Lord Irwin's pronouncement of last October, clearly the most promising way of approaching India's political problem, would have suffered a crippling blow. Fortunately, Lord Irwin's personal influence enabled a solution of the original dis-

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agreement between Mr. Patel and the Government to be found when the session was about a month old. The gist of it was that the Watch and Ward Committee's resolutions were accepted in principle, but pending the satisfactory recruitment and training of an Assembly staff, uniformed police distinguished only by a special brassard were to continue to be responsible for the protection of the Assembly as in the past. This successful mediation went far toward restoring the good feeling which had prevailed before the trouble arose. Until it had been disposed of, it was impossible for the political parties to give their minds to the vitally important business of uniting the non-Congress parties, including the Europeans, in a common opposition to Mr. Gandhi's threat, which, by this time, had appeared on the political horizon. It is now necessary to turn to the civil disobedience movement.

In February, only five or six weeks after he had pronounced India unfit for civil disobedience, Mr. Gandhi announced his intention of proceeding with it at an early date. It is difficult to estimate his motives. Clearly nothing had occurred in January to make the chances of a civil disobedience campaign any brighter. On the contrary, the support for the London Conference had, on the whole, been strengthened, and the Congress party itself was more divided on this issue than it had been at the time of the meeting of the All India National Congress at Lahore. Some, indeed, consider that it was the very success of Lord Irwin's pronouncement which drove Mr. Gandhi to his last desperate move. Possibly he mistrusted the bargaining powers of the parties who were going to be represented at the Conference, and therefore made up his mind to try to sweep the country once more as he had done in the non-co-operation days from 1920 till 1923. However that may be, his decision to start civil disobedience by breaking the salt laws met with scant welcome from any quarter, not even from the Congress newspapers. It was decidedly repugnant to political India, as a whole,

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which by this time was, no one could doubt, distinctly inclined to try the policy outlined by Lord Irwin last October. The "ultimatum" of March 2 to the Viceroy and the celebration of "independence day" on March 6 evoked no response among the politicians assembled at Delhi. The debate which took place in the Assembly at this juncture on the arrest of Mr. Vallabhāi Patel, the leader of former anti-land-revenue agitations in Bardoli, where Mr. Gandhi lives, was of exceptional interest. Mr. Patel was his chief lieutenant, and had been nominated by him to lead the civil disobedience movement in case of his own arrest. The leader of the Nationalist party in the Assembly moved the adjournment of the House to discuss Mr. Patel's arrest; but his motion was rejected by a crushing majority after a debate in which speakers on all sides specifically dissociated themselves from the civil disobedience movement. All over India "independence day" went practically unnoticed except in a few places like Calcutta and Bombay, where careful organisation had ensured some sort of demonstration. A less auspicious beginning for a campaign such as Mr. Gandhi contemplated could hardly be imagined. He had, however, given notice of his intentions and he launched his movement.

In the midst of the preparations for civil disobedience, representatives of all the non-Congress parties and the various minority communities met in Delhi under the chairmanship of Sir A. P. Patro, leader of the non-Brahmin party of the south. It was one of the most comprehensive political gatherings which has ever met in India, for not only was every organised political party represented, but also every community including authorised representatives of the European community. And in one respect they were in complete accord, namely, in their determination to take full advantage of the opportunities afforded by the Conference. In this connection, it is worth noticing the change which has come over non-official European opinion

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in India of late years. Between the views of most Europeans who take any interest, certainly between those who take any part, in politics, and the views of moderate Indians, there is now no difference of great importance, and there is little doubt that the non-official European element in India is going to make a substantial contribution to the solution of the Indian problem. The meetings presided over by Sir A. P. Patro were, then, far more generally representative than those of the All Parties Conference which had grown out of the boycott of the Statutory Commission two years earlier, for, this time, Europeans, Anglo-Indians, non-Brahmins, Conservative Mahomedans, depressed classes, Indian Christians and others were represented, as they had not been at the old boycott conference. But the basic problem was the same as that which faced the former All Parties Conference, the problem on which the Nehru report, the outcome of a year's deliberation by a selected sub-committee, foundered so hopelessly. How was the protection of minorities in a self-governing India to be secured? A strong section of the Hindu representatives at the Conference favoured postponing this particular issue until the big Conference met in London, when, it was hoped, the neutral ground and the consciousness that they were taking part in a great and real constructive effort for the common good of India would lift the minds of the Indian delegates on to a higher plane than was possible in India, where every question is apt to become subordinated to sectional considerations. The representatives of practically all the other communities were, however, anxious to discuss the question of safeguards, and the Conference was not long in dividing for practical purposes into two groups, one composed of the representatives of the different Hindu parties and the other of the representatives of the minority communities. After some days the meeting broke up without coming to any definite decisions on any of the points at issue. There is no need, however, to draw any pessimistic conclusion from this. During the last six

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years a number of "Unity" or "All Parties" Conferences, beginning with Mr. Gandhi's famous—and abortive—conference in 1924, have been held for the purpose of trying to settle the points of difference, religious and political, which make for strife between one Indian community and another. None of them has, however, achieved the desired object; some of them have indeed—quite innocently—been the cause of fresh antagonisms. Sir A. P. Patro's Conference marks a great advance on other conferences, because the most difficult and inflammatory subjects were discussed quite frankly and with perfect good temper. Further, there was an atmosphere of responsibility at its deliberations. For the delegates realised that India's representatives were at last to have a chance of discussing her problems in an effective manner and that, for better or for worse, they would, probably within the year, be a party to decisions of fateful importance to generations of Indians yet unborn.

In the spirit shown by the political leaders who sat with Sir A. P. Patro in Delhi there probably lies a better chance of continuous progress—political, social and economic—than this country has had before. But the path has not become smoother since the meeting of the Delhi Conference.

Six months ago the tide in India was running strongly in favour of the whole-hearted and all but unanimous co-operation with the British Government and people on the lines laid down in Lord Irwin's pronouncement. It still runs in that direction, but cross-currents have set in. Those who stand for co-operation are being subjected to pressure; the masses are being stampeded by hired organisers and inflammatory untruths into a blind hatred of British rule.* Sedition even reached a couple of Garhwali platoons, though the army has otherwise stood firm. And, in effect, one man is responsible for all this. There is no question of the sincerity of Mr. Gandhi's abhorrence

* The Congress party, further, has decided to try to stir up a boycott of British trade and business generally.

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of violence. It is to the integrity of his character that his influence is due—in India he is a holy man. And it is admittedly fortunate for all concerned that his principles are not of a very different kind. But his belief in his power to control the elements in the storms which he has raised has been abundantly proved to be utterly unpractical, and there are leaders associated with him whose views are quite other than his own. The proceedings of the Lahore Congress appealed to the worst, not the best, elements in India. When one of the chief speakers was able to refer to political murder as one of the noblest ideals which a young man could set before himself—and this speech was typical of many others—it will be seen that the strictures passed on this congress are none too severe.

The preparations with a view to securing unity for Indian aspiration and action at the London Conference would have begun much earlier but for the painful results of the Lahore Congress. As it was, after the most heroic labours, Sir A. P. Patro, Sir Tej Bahadur Sapru, the Liberal leader, and one or two others only just succeeded in getting the Delhi Conference together. And since then the unrest which has followed upon Mr. Gandhi's doings has made it impossible for any gathering as representative as the one at Delhi to meet in the same spirit and the same atmosphere. The time for such meetings will assuredly come again, but unfortunately every day of delay is dangerous, for men's minds are being shaken like reeds. The policy which expressed itself in the concrete invitation to the conference in London cannot be expounded to excited city mobs or to young men with their minds intoxicated by poisonous doctrines. For the moment the atmosphere is vitiated. It is necessary to speak plainly, for otherwise the full import of Mr. Gandhi's campaign would not be understood.

By the time the Delhi All Parties Conference had dispersed, the session of the Legislative Assembly was drawing to its close in a somewhat heated atmosphere. The state of the public finances had rendered new taxation necessary,

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and among the proposals for raising this taxation were increased duties on cotton imports, including the preference for British manufactures. The preferential duties were to be in addition to the duties to be imposed for purely revenue purposes, and the Assembly was asked to make a friendly gesture to Britain by accepting this measure of Imperial preference. The debate on the tariff Bill in which these proposals were included was instructive. No responsible speaker showed any animus against Britain or even against Imperial preference under certain conditions, but the leader of the Nationalist party, Pandit Malaviya, resigned his seat in the Assembly when the proposal was carried in a modified form. The Finance Bill, however, went through without any trouble and the Assembly dispersed at the end of March without any untoward incident—a happy outcome of a session which might have ended in disruption.

II. THE MARCH TO THE SEA AND ITS SEQUEL

BY this time Mr. Gandhi was drawing near to the sea at Dandi where he had decided to begin civil disobedience by himself making salt in defiance of the Law. He openly courted arrest from the very commencement of his march. He had acknowledged that his salt-making operations could neither harm the Government revenues nor win independence for India. But if he should be arrested, the effect on the masses, and even on certain political leaders and parties, might be to arouse a storm of popular indignation and to compel the abandonment of co-operation and the London Conference. The Government, however, as far as Mr. Gandhi himself was concerned, stayed its hand. On the road his speeches became increasingly bitter, and his references to the merits of action, other than strictly non-violent action, were far less unequivocal than in former days. He had selected his own part of the Gujerat tract

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of the Bombay Presidency for his march to the coast ; but even he must have been disappointed at the poor response to his movement. Whatever the pressure, comparatively few village officials—as is clear from the figures recently published by the Bombay Government—resigned their posts, and Mr. Gandhi's meetings attracted only small audiences. Indeed, on the second day out he arrived at his destination unwelcomed by even a crowd of sightseers. By the time he reached the sea he was clearly discouraged, and he abandoned his enterprise, notwithstanding his public declarations before leaving home that he would win freedom or die on the beach at Dandi. His arrest was still put off even after he had formally committed a breach of the salt laws. He also departed from his resolution that he would personally control the salt making operation, and not allow it to become the sport of the mob. The operations were none the less left to the mob, and for a few weeks there was an orgy of illegal salt making in different parts of India—even in places hundreds of miles inland, where no salt deposits of any kind are to be found.

Thus Mr. Gandhi's movement had demonstrably failed in its professed object by the middle of April. One of the things that proves it is the occurrence in certain places of acts of mob violence, the very contingency which he himself had declared would be fatal to the movement. People, moreover, asked whether a change had not come over Mr. Gandhi himself. Upon the occurrence of incidents like those at Chittagong and Peshawar during the old non-cooperation days, he would, it was felt, have bitterly reproached himself and the guilty parties. Now he accepts them quietly as 'apparently inevitable, and is content to throw the responsibility on to the Government.

After the first week in April the chain of disturbances began which have formed such depressing reading for all lovers of India, whether Indian or British. They started in Bombay, where Mr. Gandhi's influence is greatest, and

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there were one or two clashes between the mob and the police, fortunately without serious results. The Calcutta riot of April 5 which followed the arrest and imprisonment of the ex-Mayor, Mr. J. N. Sen Gupta, and Pandit Jawaharlal Nehru, was a more serious affair, for Europeans were attacked as such, tramcars were burnt and the police were seriously engaged. Karachi and Poona were the next scenes of trouble. At Karachi a mob surrounded the Chief Magistrate's Court and the police had to use firearms to disperse it, while at Poona a determined assault was made on the constables by the mob. There were minor affairs in other towns, but the most disturbing development was the general unrest among the masses, the inevitable growth of race hatred, of general contempt for the authorities and of hostility to the forces of order. Finally in quick succession came the two formidable outbreaks at Chittagong and Peshawar, formidable not only by reason of what actually happened, but because they are themselves portents. On April 20, a band of about one hundred insurgents armed with modern weapons raided and destroyed the railway and police armouries in Chittagong and killed half a dozen men—a British sergeant-major, an Anglo-Indian and four Indians. Then on April 23 there occurred the savage outbreak at Peshawar in which British and Indian troops had to contend with one of the most turbulent city mobs in the whole world, casualties resulting on both sides. Neither of these affairs, it is true, was due to the action of professed adherents of Mr. Gandhi's movement. The Chittagong outrage is an outcome of the Bengal revolutionary movement now endemic in that province, and the Peshawar outbreak originated in the vindictive determination of a naturally predatory mob to take advantage of an apparently unique opportunity for loot and general disturbance. But both are portents which show the direction in which, as a result of Mr. Gandhi's campaign, India is drifting. When mass unrest and the unsettlement of public opinion reaches a certain

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point in that country, all sorts of anti-social forces are certain to raise their heads. In the old days of non-co-operation the Moplah rebellion, with its terrible harvest of misery and death, was also no part of Mr. Gandhi's movement. But it was none the less one of its results. It was the same with the savage business at Chauri Chaura, when a number of constables were overpowered by a mob and burnt alive. This time, the Indian Government cannot afford to allow any Chauri Chauras or Moplah rebellions.

Feeling is already running high between Hindus and Mahomedans, and any time may see a recrudescence of mob warfare between the two communities which hung like a thundercloud over Indian life until a few months ago. Already Mahomedan leaders of all shades of opinion, from extreme left to extreme right, have come out into the open against Mr. Gandhi's movement, for the dangers to the internal peace of India from the continuance of the movement are obvious. Other important sections of opinion are also slowly making themselves heard, and in the south the non-Brahmins are confident of beating any candidates who still represent the Congress at the polls at the end of the year. All over India, landlords and other stable elements are, moreover, rallying to the Government. Once more, too, preparations are under way for the renewal of the All Non-Congress Parties Conference, and it is to be hoped that in this constructive work the best of political India will soon be once more absorbed.* Lastly, Mr. Gandhi himself is now under restraint. He forced the hand of the Government. Chittagong and Peshawar were warnings which could not pass unheeded. But it will take time to undo the harm done. It would be so even if Mr. Gandhi were to come out of prison to take his

* A meeting of the Committee of the All Parties Conference in May was spoilt by non-attendance, and no agreement was reached on the communal question. But the work is to continue and a sub-committee has been appointed to report on that question.

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seat at the London Conference—and he has never been afraid of acknowledging error. The fruitful, constructive and hopeful process inaugurated by the new British proposals has been violently interrupted, though, fortunately, not brought to a standstill. A legacy of ill-will, suspicion and sullenness among the mobs which have been directly affected, and of doubt and indecision among political groups which a few months ago saw their way clear, has been left by the events of the last few weeks.* Things are never quite the same again after such an upheaval as this, but Lord Irwin's policy is still the only one which holds the board. There is yet every hope that it will go on to its appointed end with the help of all that is best in Indian—and British—thought and character.

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* The Responsive Co-operators have, for instance, for the time being at least, now joined the civil disobedience movement.

NOTE

On May 13 there appeared in the press a long communiqué from the Viceroy setting out the main facts, out of which the present situation has developed, beginning with his own pronouncement, of October 31 last, that the natural issue of India's constitutional progress was the attainment of Dominion status. He announced that the meeting of the round table conference in London would take place "on or about October 20" next. The day before this communiqué was published, Mr. Benn informed the House of Commons that the first volume of the Simon Report would be published on June 10, and the second volume on June 24.—EDITOR.

THE PROBLEM OF JAPAN

I. THE ECONOMIC DIFFICULTY

FROM the day when Japan emerged from feudalism to enter the ranks of countries organised for industry and commerce, her prosperity, her very existence almost, came to depend upon her competitive strength in international trade. None were better aware of this than her own leaders, for the impression one gains from a study of Japanese history between the Restoration of 1868 and the war with Russia in 1904 is one of courageous men, fully and anxiously aware of the poverty and weakness of their own country, and the dangers they entailed. After the Russian war came a brief spell of confidence. Japan gained prestige, she acquired new territory, and, since in those days international trade rivalry was not so widespread and intense as it has since become, for a time she seemed to be making headway fast. But soon, like England in the years preceding the European war, she began to feel the stress of competition with well-equipped rivals; and since her national wealth was scanty her position was insecure. It is interesting to look through old newspaper files and other documents of those years. With one voice they speak of rising prices, the need for retrenchment, and the dangers of a growing adverse balance of trade. A boom which followed the war with Russia collapsed in 1907. Of the year 1908 official reports say that there was a decrease in

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the total of foreign trade; of 1909 that there was a further decrease, a phenomenon without parallel since 1884; of 1910 that there was some recovery; of 1911 that there was a decrease of exports, due in part to the revolution in China; of 1912 that the price of rice was high, that Japanese economists were disturbed by the continued adverse balance of trade; and of 1913 that "merchants in general will remember it as one of the worst years in their experience." It is possible to qualify this description; but since uninstructed opinion tends to look upon Japan as a powerful and menacing country, it is as well to emphasise for the moment the weaknesses of her economic position.

When the European war broke out the national debt was about £261 million, of which £152 million was external. This was a large figure for a country whose exports were worth only £62 million, and it revealed a position which, though not gravely disquieting, was certainly not favourable. But during the war events turned in Japan's favour. All her great competitors were politically, industrially, and commercially preoccupied, and she was free to enter almost any market on her own terms. She had, moreover, a virtual monopoly of the world's carrying trade on many sea routes. Between 1914 and 1919 she was transformed from a debtor into a creditor country, and the total increment of wealth derived by her from international transactions during that period is estimated at over £250 million. But once more the prosperity due to war was followed by collapse. Economic depression in 1920 was acute, and since then, though there have been ups and downs, there has been no complete recovery. Once more Japan is a debtor nation. The war profits have been consumed, and the total national debt now stands at £580 million. Of this foreign loans account for £145 million, but the total foreign indebtedness, if we include municipal and bank loans, is about £200 million. Under present conditions there does not seem to be any early prospect of improving this state of affairs. Allowing liberally for invisible trade,

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it is calculated that, to support her present economic fabric, Japan must obtain annually from abroad some £15 million; if more rapid industrial and social progress is to be made she requires more than that. There are only two ways of obtaining this money. It must either be borrowed from foreign countries or earned in foreign trade. It is true that £15 million is not a large sum, but it is a disagreeable item to appear annually on the wrong side of a balance sheet. Of this the Government are fully aware, and in their budget for 1929-30 they took the drastic step of cutting down expenditure by £9 million.

Two obvious conclusions emerge: firstly that Japan depends a good deal on the good will of American bankers and friendly feeling in the United States, and secondly that her export trade is of vital importance to her. And here is the key to her present foreign policy, for at present finance is not only a governing but also a positively restricting factor in all her programmes. She cannot afford enterprises on a large scale, either at home or abroad.

It may be asked, how then could a country so handicapped make such astonishing progress? How could she fight two victorious wars, how could she oust strong competitors from open markets, bring dismay to Lancashire, force India to raise tariffs against her, and show her merchant flag on all the oceans? One might reply that she won her wars because her enemies were weak, and she sells her goods because her labour is cheap and docile. That answer is insufficient and misleading. It must be expanded by adding that she has had to pay the price of success; that her wars gave her the political, but not the financial, position of a first-class Power; that her industrial and commercial progress was helped by the withdrawal of her rivals for five years; and lastly that, poor as she is in material resources, she has valuable assets in the national character, industrious and ambitious, in a population racially and culturally homogeneous, and in the vestiges of feudal discipline. All these, operating with maximum

The Economic Difficulty

effect in a troubled and heterogeneous quarter of the globe, have contributed to her success, as a single purpose helps a man to make his way through an undecided crowd. But it is a success gained by persistence rather than by sheer strength.

If these are the facts—and they are hard to dispute—how are her rulers to translate her economic problem into terms of political action? She has no accumulated wealth in the form of foreign investments. She has within her borders hardly any of the materials required for the staple industries of the modern world: no iron to speak of, the wrong sort of coal, no abundant deposits of most of the necessary minerals, no pasture-land, no wool, no cotton. Her chief natural riches are her silk, her rice, her fisheries, her water power and the relatively unimportant tropical produce of Formosa. How, then, is she to increase her wealth? A generation ago such a problem might have been solved by the acquisition of territory whence supplies of raw material could be drawn, but those days of territorial expansion are past, and Japan's own experience of continental adventure has not been encouraging. From Siberia in 1922 and Shantung in 1923 and North Sakhalin in 1926 she withdrew discomfited. As for concessions and spheres of influence, she now surveys ruefully her unsecured loans to China, and her great expenditure on the Hanyehping iron works in the Yangtse basin, despite which she now has to seek supplies of iron ore far afield.

Nor can she hope to obtain relief from emigration. Her population increased by over 800,000 in 1927, and (though the rate of increase tends to fall) it is obvious that no undeveloped country, and much less a developed one, can absorb alien settlers at a fraction of that rate. There was a short period, after the Russo-Japanese war, when some Japanese statesmen encouraged emigration to Manchuria and Korea; but to-day there are 300,000 Koreans in Japan, while it is doubtful whether the total number of Japanese abroad (including 200,000 in Manchuria) exceeds 750,000,

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and it is certain that the number of emigrants leaving Japan in any year does not exceed 25,000. Nobody who examines Japan's record in her difficult and disagreeable negotiations with other countries on this subject can reasonably contradict the Japanese ambassador, who in 1924 said: "To Japan the mere fact that a few hundreds or thousands of her nationals will or will not be admitted into the domains of other countries is immaterial, so long as the question of national susceptibilities is not involved."

II. THE ONLY SOLUTION

IF emigration is ruled out, only one course is left, and it has been freely confessed and announced by many Japanese statesmen in recent years. Japan must progressively industrialise herself, striking meanwhile as well as may be the balance between agriculture and manufacture, but striving always to increase her earnings in foreign trade. For that purpose she needs markets and peace in which to develop them. If we examine her export trade we find it made up as follows:—

To:	per cent.
The United States	42 (chiefly silk)
China	27 (chiefly cotton goods)
India and other Asiatic countries	15 (chiefly cotton goods)
European countries	8
All other countries	8

Since there are natural limits to the expansion of the silk trade, it is clear that her trade with China is of vital importance to her; of such vital importance that her relations with China must be the dominating factor in her foreign policy on this one ground alone. If we add to it the cogent reasons of propinquity and tradition, the proposition becomes unassailable. Those who think that Japan's eyes are fixed upon the Philippines, or Singapore, or the Pacific coast of America, or Australia, would do well to reconsider the matter. There are problems nearer home

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which must so occupy any Japanese statesman that he can let his gaze wander to those regions only in moments of careless fancy. What he must always have in mind is the effect upon Japan of movements in Far Eastern Asia ; and the question which Japanese envoys to London, Paris, Berlin, Rome, and Washington have discussed ever since Japan gained fiscal and judicial autonomy has been almost without exception the bearing of international questions upon her relations with China. This preoccupation has given rise to a legend in which Japan figures as ruthless, secretive, single-minded and selfish. It is a legend not without foundation, but it distorts the truth. As for selfishness, there is no Power whose record in China is one of altruism. As for secretiveness, it is a defensive weapon which the Japanese employ all too freely in their private lives, and which is apt to turn against themselves. As for single-minded ruthlessness, if the charge is that they have consistently sought their own advantage in China, then it is just ; but if it means that they have always used the same means, and unscrupulous means, then it is exaggerated. For there could hardly be anything less uniform than Japan's China policy. How could it be otherwise, when changes were taking place in both countries with astonishing rapidity ? The truth is that to Japanese statesmen the problem of China must be a puzzle, almost a nightmare, and a problem to which positive principles are hard to apply. Perhaps one can gain some idea of its difficulty if one imagines the position of England, were the whole of the rest of Europe inhabited by a vigorous people, culturally, and, for political purposes racially, homogeneous. So it has come about that the Japanese have tried almost every method of dealing with China, from threats to intrigue, from intrigue to persuasion. And not only have successive Governments tried various methods, but also there has been constant division of opinion in Japan as to what were her proper aims in China and by what means she should achieve them. Further, in a country like China

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honeycombed with factions and traditionally given to corruption, there is great scope for political adventurers, and many of these have crossed over from Japan. Altogether it is easy to frame a strong indictment of Japan ; but it is nearly as easy to rebut it, drawing upon the examples set by other countries for strong debating points. Yet it is better to agree that the Japanese were a little slower than the rest of the world to realise that a great change had come over international relations. If at times in the beginning of this century they were inclined to be over-confident, to-day their mood is different. Those who have watched events in Japan during the last decade can discern an anxious frame of mind. After the European war there is no doubt that Japanese statesmen, particularly those who travelled to Europe to sit in council, were impressed by the dimensions of the Allies' effort, the vastness of the resources which they had mobilised, their great creative energy ; and they noted with astonishment that the countries which they had supposed exhausted were, though shaken, still capable of putting forth great strength. Especially were they awed by the immense power of the United States, and that sentiment has been apparent in all their subsequent policies. It was manifested in their meekness at the Washington Conference of 1922 and in their pained but dignified acceptance of the American attitude on the immigration question. Quite apart from the merits of that case, Congress exhibited an ill-mannered offensiveness which it would be hard to match in modern international relations. The Japanese smarted under the insult, but they kept their tempers ; and it remains true that their public attitude towards America is one of deference, reluctant deference perhaps, but carried to the very limits allowed by national pride.

In such circumstances it would be difficult for Japan to take an independent line in China, even if she knew what were the best line to take. It is, therefore, not surprising that her recent policy has been of a somewhat negative

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and opportunist type. Thus it was Viscount Kato who presented the Twenty-One Demands to China, but it was he who a few years later made overtures of disinterested friendship. The late Seiyukai Ministry, which was labelled as "positive" in its policy towards China, was by no means distinguished for its firmness; while Baron Shidehara, Foreign Minister in the present Minseito Cabinet, who used to be criticised for his too yielding attitude, now appears a little stiffer than his predecessors. The fact seems to be that, the situation in China being so complex and fluctuating, the Japanese must adapt themselves to its rapid movements. Naturally, then, they seize gladly upon what seems to be the one fixed element in an unstable system, and emphasise the importance of maintaining their position in Manchuria, just as in private life a man may solve a difficult question of conduct by throwing overboard general principles and anchoring himself to one immediate and practical point of expediency. That is why the retention of their gains in Manchuria seems to the Japanese a cardinal feature of their relations with China, why all parties are unanimous in saying that on this one point they will not give way. Their arguments are strong, as purely political arguments go, but there is a flavour of unreality in the reiterated plea that they protected China from Russia, that they have expended blood and treasure on acquiring modest rights in South Manchuria, which they have developed to China's benefit. We may believe them, however, when they give us to understand that they will not leave Manchuria unless they are driven out, but we may be allowed to observe that, if the Chinese became strong enough to drive them out, it would be hardly worth their while to stay. This brings us to the common accusation that the Japanese, because they fear a strong and united China, have deliberately fomented disturbance there. This is an exaggerated statement, with a modicum of truth only in so far as more or less authorised agents of Japan have at times in the past helped one Chinese faction or

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another ; and to-day all responsible leaders would agree that such conduct is folly. It is true that, though Japanese statesmen have of late used very correct language about China's national aspirations, it has not been hard to detect an undertone of regret that China could no longer be coerced. But we have all felt something like this, though we may not have been so frank as the English traveller who once said to the writer, when comparing China with Japan, that he preferred China, because there, when exasperated, you could kick a coolie without fear of reprisals, public or private. Now that China can kick back, she is much harder to deal with, and former ardent Sinophiles can be met who now condescend to see merit in Japan. It would all be simple enough, perhaps, if the Powers were agreed, and all would co-operate. Some rather despairing bids for co-operation were made by Japan a year ago ; but though it is easy enough to co-operate in coercion and even in persuasion, it is hard to co-operate in wheedling for special favours. Co-operation is beyond doubt the true ideal, but so long as the Powers concerned desire in the first place commercial advantage, immediate rather than ultimate, there must be as much conflict as community of interest. And whatever may be said on Japan's behalf, she does not know how to gain the confidence of others. Her publicists point to her unblemished record in diplomacy and claim that in her dealings with Western Powers she has never failed to keep her promise to the letter. But if she has observed the letter, has she not sometimes neglected the spirit ? And if in some quarters she has gained an undeserved reputation for dishonesty—or let us say sharp practice—in politics and trade, what are the reasons for this misjudgment of a people who, to those who know them well and are not swollen with Nordic pride, seem generous, warm-hearted and sensitive on the point of honour, a people of whom St. Francis Xavier said “ they are the delight of my heart.”

Estimates of national character are generally wrong.

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Yet, if there is one quality of the Japanese on which all Western critics are agreed, it is a lamentable want of frankness. But a sympathetic critic will remember that they are a traditionally inarticulate people. They are deficient in feeling for words, and their social habits have hitherto made for taciturnity. They do not speak our language and they do not think our thoughts. These are bold statements, but they can, it is believed, be substantiated. Of all the hundreds of thousands who have learned English as their means of communication with the outside world, how many score can understand, much less make, a statement that is more than a simple commonplace? How many diplomats, how many officials, can be sure that they are accurately expressing their own thoughts or fully comprehending those of others? Small wonder that the Japanese give, for that reason alone, an impression of impenetrable reserve; and if you add to this that they are not much interested in abstract ideas, and that the stuff of their individual experience has little in common with ours, you will understand why they so often take refuge in banality or silence. In this respect they compare very unfavourably with the eupeptic Chinese, and lead one to suspect in them some basic lack of vitality that may perhaps be explained on grounds of climate or of diet.

To say that the Japanese do not think our thoughts is to make some sacrifice of truth to brevity. Nor is it suggested that we have a monopoly of useful cerebration; but it is surely a mistake to suppose that, because they have taken over the mechanism of Western civilisation, they have acquired our Western habit of mind. In cities, towns, and villages machines buzz, electric lights glitter, telephone bells ring, and the mark of the West is plain on houses, food, clothes, and books. But one has only to walk into back streets to feel that all this is but the artificial integument of a living organism, whose traditional processes persist with much less fundamental change than is generally supposed. There is, of course, continuous adaptation t

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environment, but to-day the Japanese are still in a stage of struggle, transition, and experiment. These considerations are not so irrelevant to foreign policy as they may appear. If we appreciate some of the difficulties under which Japan labours we may better understand, even if we do not always approve, her attitude to the problems of the world. One thing which characterises this attitude is an intensely strong national feeling which colours and often vitiates Japanese views upon matters far remote from politics. It is indeed quite confusing to a European of cosmopolitan habit to find that his enlightened, cultivated Japanese friend is judging universal questions by strictly national standards. Perhaps it ill becomes an Anglo-Saxon to object to insularity; but it is as well to realise that racial consciousness dominates the minds of the Japanese to a remarkable degree, and that they do not necessarily accept every occidental standard to which by force of circumstances they may outwardly conform. Nor indeed is it safe to assume that all such standards are thoroughly understood. If asked what feature of Western life the Japanese had most enthusiastically adopted, one would be inclined to reply that it was not law, not representative government, not mechanism, nor even science, but trade and industry. Some people think of Japan as by nature aggressive, but there is not much in her history to support this view. She has a long record of internal peace, and until she became acquainted with European countries she had no ideas of overseas conquest, if we except an abortive attack on Korea in the middle ages. From the close of the nineteenth century she began to feel that colonial possessions were a necessary adjunct to her dignity, but the sentiment was never a very spontaneous one. Nor does history bear out the idea that the Japanese are a bellicose race. During the feudal struggles culminating in the sixteenth century a warlike tradition was formed, but it was fossilised during the three hundred years of peace that followed, and the national energies were then applied to administration and

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the arts. After the Restoration, those energies were transferred to industry and commerce. It is difficult for Europeans—less so for Americans—to realise how much of the national activity is canalised in this way. We perhaps are fatigued after many generations of industrialised existence. The interests of European populations are diffused and we have an uneasy feeling that manufacture and commerce threaten to occupy our lives as an end rather than a means. But the Japanese are assailed by no such misgivings, they are spurred by a fresh enthusiasm for the triumphs of the factory and the shop. So it has come about that, while in the West they were being praised for their arts and their chivalry, or blamed for their militarism, or their imitativeness, or the inferior quality of their goods, they were making steady progress in industry and trade and their success has taken us by surprise. It is not necessary to elaborate this theme, for a glance at statistics will show the growth of their competitive power; but it is worth remembering, with a view to future events in China, that a country which takes to industry late is likely to take to it very thoroughly. Indeed Japan herself is already beginning to feel the pressure of Chinese competition in some directions. So far, however, she has certain important advantages which China has yet to acquire. The Japanese have the quality known as “drive”; a habit of co-operation, which enables them to organise carefully, not brilliantly; and they are dealing with the corruption which disfigures the early stages of representative government.

If Japan's future depended only upon the character of her own people, it would be bright enough. But her fortunes must in great measure be controlled by developments in the great continents on either side of her. Meanwhile, though she cannot fairly be considered an aggressive Power in a political or a military sense, she is the more to be regarded as a dangerous commercial rival.

Japan.

March 1930.

KING ALFONSO AND THE CRISIS IN SPAIN

IT is forty-three years since Alfonso XIII, then an infant, succeeded to the throne of the Bourbons and Hapsburgs under exceptionally difficult circumstances. He became king *de facto* as long ago as 1902, at the age of sixteen, when Queen Maria Christina's regency came to an end. What a surprise then for the world to see republicanism a greater menace in Spain to-day after all these years than it was when his throne was a cradle!

It is not as if the twenty-one years during which he governed in strict accordance with the letter of the Constitution were years of distress and disaster. Of disaster there was enough and to spare during the regency. It was then that Spain lost the last remains of her great colonial empire. But the country survived that shock and it has continued to make progress ever since. Some even think that the loss of the colonies saved it from still worse things. That is a question which must be left to history to answer; but it is beyond dispute that, throughout King Alfonso's reign, the growth of prosperity, both in agriculture and in industry—indeed in every walk of life—has never stopped. During the six years of the dictatorship progress was particularly rapid. To take a few figures, when Alfonso XIII was born the public revenue was equal to about £32 million. In 1902 it stood at £50 million. At the beginning of the dictatorship (in 1923) the figure had swollen to £68 million. Finally General Primo de Rivera when he fell left a balanced budget showing a revenue of £98 million.

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The political crisis then which confronts the monarchy cannot be put down to national distress, for, although the revenue has grown in such a magnificent manner, there is no such thing as onerous taxation in Spain to-day. A 10 per cent. all round basis has hitherto been the maximum aim of Spanish Ministers of Finance, and the great improvement in the revenue during the dictatorship was almost entirely due to efficient collection and not to any marked increase in taxation or modification in its incidence. Few countries can indeed show a budget so comparatively free from debt charges. Only 24 per cent. of the Spanish revenue is affected by them, the rest is unencumbered. Nor have there during Alfonso's reign, at all events up to the present, been any catastrophes and epidemics, such as the Murcia floods and the cholera in 1885, which affected the country in his father's time. The great war, disastrous to other European nations, actually brought profit to Spain, the "principal neutral," whose metals, mules and foodstuffs were of such value to the belligerents. There are certainly industrial problems. Protection can no longer be relied upon to keep the factories in a healthy state, and the interests of agriculture, the principal source of Spanish wealth, are subordinated to the claims of industry. Nevertheless, taking one thing with another, Spain, as far as material prosperity goes, is a strong lusty country. It is therefore necessary to find some other cause to explain the present unrest.

I. FREE INSTITUTIONS AND AUTOCRACY

POSSIBLY the explanation may be found in the history of the development of free institutions in Spain. At the very outset we find a paradox, the sort which is so characteristic of everything Spanish. The Spanish people are to-day still engaged in the struggle to secure for their Parliament the effective control of their affairs, yet they

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actually enjoyed representative institutions a couple of centuries before any other nation in Europe. The Cortes of the Spanish kingdoms was famous for its independence in quite early times. The oath of allegiance to Alfonso I at Jaca in 1187 ran as follows :—

We who are as good as you swear to you who are no better than ourselves, to accept you as our sovereign lord provided that you observe all our statutes and laws, but not if you fail to do so.

Thus, people and State were one even in the twelfth century. But after Spanish unity had been established under the *Reyes Católicos* and the discovery of the new world had thrown open to Spain boundless possibilities of power, an era of autocracy set in with the defeat of the *Comuneros* at Villalar by Charles, the first of Spain and the fifth of Germany. Castilian liberties fell with the heads of the rebels executed at Villalar, the Arragonese were deprived of the *fueros* by Philip II. The Basques alone have kept their privileges right up to to-day, but only at the cost of frequent fighting. The breach between the nation and its Hapsburg and Bourbon sovereigns became indeed so wide, that many Spaniards were induced by his promises to accept the usurper, Joseph Bonaparte. It was, however, in the provisional Government during the desperate resistance to Napoleon that the national will once more found genuine expression. Supported by England, but with enemies all round it, the Cortes sat entrenched in the narrow peninsula of Cadiz and drew up the Constitution of 1814. On the defeat of Napoleon, loyal to the end, the people welcomed back Fernando VII with open arms. He requited their devotion by repudiating the Constitution, and his reign became a long struggle between liberty and absolutism. At times he would promise reforms, but he always broke his word at the first opportunity, and the revenge which he took upon his subjects was such as to draw protests from the British Ambassador, and also from

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his Russian colleague on behalf of the Holy Alliance. Martin Hume's stern verdict, "History has no record of blacker ingratitude than that with which the King treated the country at large, and particularly those of his subjects who were favourable to progress and enlightenment," is the literal truth. This struggle, complicated by the peculiar position of the Church, was continued by Fernando's daughter Isabella II, until she was at last forced to leave the country. A republic was tried on two different occasions, but on each it failed so signally to capture the soul of Spain, or even to furnish the country with a decent administration, that Castelar, perhaps the greatest of Spanish republicans, when asked later what he would do if a republic were to be set up for the third time, gave his reply in a single word, "emigrate."

In the end the conflict terminated in the restoration of 1874, when Isabella's son, Fernando's grandson, was raised to the throne as Alfonso XII. At the time he was a cadet at Sandhurst, whence he issued a manifesto promising his countrymen to consult the nation in everything. "In the early days of the monarchy," he reminded them, "Spanish princes set nothing of first-class importance in hand without first consulting the Cortes. I shall not in my present position forget this most just rule of conduct and, when the moment arrives, agreement and the settlement of all outstanding questions will be easy for a loyal prince and a free people." The Sandhurst manifesto concluded with the following promise :—

Whatever my lot, I shall never cease to be a good Spaniard. I will also, like every one of my ancestors, be a good Catholic, and, as a man of the modern world, a true liberal.

The Spanish nation had heard fair words before. This time, however, they meant something. During his all too short reign Alfonso XII won the confidence of the nation in a way that none of his predecessors had ever done, and more than that, his devotion to duty, even when, as during

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the cholera epidemic, it meant risking his life, earned him the love of his people.

No apology is needed for this historical retrospect. Now that the dictatorship is over Spaniards are themselves turning to the events of the nineteenth century to help them to make up their minds at this parting of the ways. But for the purpose of this analysis our retrospect must be brought still nearer to our own day. Throughout her long regency Queen Maria Christina always observed the Constitution, and her scrupulous regard for it, as people were quick to remember when she died last year, found its reward in the loyal way in which the dynastic parties rallied round the infant king and kept republicanism at bay during the perilous days of his minority and the disastrous war with America. The misgivings with which the Queen mother regarded the establishment of the dictatorship are a matter of common knowledge; but whatever her feelings—and it can hardly be doubted that she expressed them both to the King and to the Dictator—she was far too loyal a subject to let anything appear in public.

Ever since 1902, however, leading men of all parties have come to distrust the King. One has only to listen to conversation in political circles, whatever their complexion, to grasp this fact; but it has also, on occasion, been made clear in public speeches by ex-leaders or Ministers; e.g., Señor Sanchez Guerra at Vittoria and Count Bugallal at the *Ateneo de Madrid* centenary celebration in honour of Canovas del Castillo last December. Then there were the bitter words of Antonio Maura, five times Prime Minister, the Conservative leader who succeeded Canovas del Castillo and perhaps had closer relations with the King than any other Minister. *Fernando VII y pico* (Ferdinand VII and something more) was the way he summed up his character, and his remark "caught on." It has indeed done Alfonso XIII serious harm even if more has been read into the words than their author intended; Maura's was a vehement nature. What then is the reason for this distrust?

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From the very moment that his minority came to an end Alfonso showed that he meant to take a personal part in the government. His coronation ceremony, which lasted a good five hours, tired out his octogenarian Prime Minister, the Liberal, Señor Sagasta; but the King had no sooner got back to the palace than he called an immediate Council meeting. Sagasta opened it with a few weary words of congratulation. After he had finished the King sharply asked General Weyler, the Minister of War, why the military academies had been closed. In his opinion they should be reopened. He then turned up and read Article 54 of the Constitution which says that "the King shall confer civil appointments, and grant honours and distinctions of every class." "Since," he remarked, "the Constitution confers on me the right of granting honours, titles and grandeeships, I warn you that I intend to reserve this right absolutely to myself." This declaration took his Ministers completely by surprise. One of them, however, the Duke Veragua, a descendant of Christopher Columbus, asked permission to refer again to the Constitution, and read out Article 49 which says that "no order of the King's shall take effect without being countersigned by a Minister." This incident was made public the other day when the memoirs of Count Romanones were published. It certainly showed remarkable character in a boy of sixteen, but a record of the King's relations with his Ministers would supply many other instances to match it. It is enough here to mention the *crisis del papelito* in 1906, when King Alfonso, without consulting the Cortes, accepted the resignation of the Prime Minister, Lopez Dominguez, on the strength of a private letter which he had received from Señor Moret, a political rival of Dominguez, and the important evidence disclosed by the parliamentary commission which went into the question of responsibility for the military disaster at Anwal in 1923, which showed that the King was in direct correspondence with General Silvestre over the heads of

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both his Ministers and the Commander-in-Chief. One of the excuses commonly given for the establishment of the dictatorship was indeed that the Cortes had to be dissolved before the autumn session because His Majesty's conduct was going to be attacked there by the Socialist Republican Deputy, Indalecio Prieto, and it was impossible for the Cabinet to shield the monarch.

It was perfectly clear from the condition on which the King accepted the dictatorship—for ninety days—that either His Majesty or the Dictator, possibly both of them, had the King's constitutional oath in mind. That oath imposes on the sovereign an obligation to see that when the Cortes is dissolved a new one is convoked within three months so that the people may never be deprived of the means of expressing their will. At the end of the three months the speakers of the Senate and the Chamber, Count Romanones and Don Melquiades Alvarez, waited upon the King to remind him of this solemn duty. Their visit was in vain and no check was placed upon the insults heaped upon them by the Dictator. The King was henceforward regarded as guilty of a deliberate breach of the Constitution, and in the eyes of many of his subjects he became from that moment *el rey felon*.

Another stumbling block was His Majesty's personal relations with the Dictator. When the latter wished to change the military Directorate into a civil Cabinet and submitted a list of Ministers, King Alfonso signified his approval in a letter couched in affectionate terms and made use of the second person singular. Even when due allowance is made for the extravagant style of Spanish phraseology this seemed to be going too far. Here is the letter:—

Madrid, December 2, 1925.

My Dear General,

I have received thy communication. Fully conscious as I am of the present political situation and convinced of the necessity of continuing the work of salvation which has made such progress

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under the dictatorship, I confer upon thee power to form and preside over a government and to appoint a vice-president. I hope that as soon as convenient—and I trust that it will be shortly—the country may enjoy laws setting up and consolidating a normal régime, so that there may soon be no need of an exceptional period. To-day I will, as I did on September 13, 1923, raise my thoughts to God at the national altar, and I will pray that thy proposals may prosper and that the new government may draw inspiration and success from thee in guiding the destinies of Spain.

Thine affectionately—I embrace thee,

Alfonso XIII.

Thus, the King identified himself, perhaps needlessly, with the dictatorship and gave further cause for offence to his subjects. Many of their sovereign's actions indeed seemed to them to show so much contempt for the Constitution and to give such out and out support to the Dictator that the idea took firm hold that the Dictator and the King were really one at heart. It is not therefore a matter for surprise that when the Dictator eventually had to go (the King's part in his dismissal will be explained on a later page) a reaction set in, and the very first result of the re-establishment of a certain degree of freedom was a sensational attack on Alfonso XIII by a Conservative ex-Premier, Don José Sanchez Guerra, in a speech at the Zarzuela theatre on February 27. The fact that nothing happened to Señor Guerra after this open violation of the law strengthened the popular belief that he had spoken the truth, a truth so unanswerable that even General Berenguer let it pass. Tracts were sent round both by hand and by post inviting the King to abdicate and to relieve the country of his presence. They contained veiled threats that if he did not do so he would be turned out, or else they begged him to spare Spain the horrors of a bloody revolution. The dangerous way in which the republican ranks have been swelled as a result of all this has deeply shocked the out and out monarchists who are still in a majority in Spain, and they are hard at work on their side organising counter propaganda. The King is

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thus in the uncomfortable position of having become a bone of contention among his subjects, the object of violent attacks on the one hand, and of loyal demonstrations on the other, a most unenviable situation for a constitutional sovereign.

II. THE CASE FOR THE KING

ALFONSO XIII would be the last man in the world to plead his case. "I will," he once said, "be found at my post," and his sense of devotion and patriotism are beyond doubt. Temptation to act was certainly not wanting in 1923 thanks to the muddle in which the country had been landed by parliamentary government as it was carried on by the Spanish Cortes. If Don Alfonso's personality had been less marked and his principal advisers men of more character, it is possible that the impulse to take a line of such doubtful wisdom from a constitutional point of view might have been checked. If the army, again, had not come to look upon the King as its chief instead of the Minister of War, perhaps things might have turned out differently. At the same time, thanks to the demoralisation of the Cortes, initiative in every direction was being stifled by intrigue, and party politics had degenerated into a party wrangle. There was always a deficit in the budget—sometimes the Cortes, immersed in sterile debates, could not even find time to pass the estimates. Public works were neglected; the campaign in Morocco was languishing. Over 10,000 lives had been lost at Anwal in 1921, and a couple of years later the country seemed to be on the verge of another disaster—there was a mutiny among the troops embarking at Malaga. At this juncture there appeared the strong man for whom the country was looking. He was at once hailed as a saviour, and by none more loudly than by the Liberal press. Here at last was the *Cirujano de Hierro* (the iron-handed surgeon) for whom the Lion of Graus, Don

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Joaquin Costa, had called in vain. On the other hand there was the threat of civil war if the King refused to give General Primo de Rivera the opportunity of putting things right, which he so boldly claimed. And was it not the only logical thing to do to keep him when it had become clear that the Dictator had really got a grasp of the situation, and that the nation was being led along the path of progress faster than it had ever moved before? Would not the dictatorship have been worth while if only a single problem, that of Morocco, had been successfully tackled? But there was far more on the credit side than that. The face of the whole country was changed. There were new roads, new railways, 5,000 new schools, irrigation schemes and port improvements. The economic revival moved at a pace unheard of before in Spain. Then there were results to show in foreign policy; collaboration with France in Morocco; the renewal of the old spiritual ties between Spain and Latin America; the re-affirmation of the will of Spain to stand in the front rank among peaceful nations at Geneva, and on the domestic side of the account, labour and capital were for the first time for generations obliged to keep within the bounds of law and order. Agitators could no longer prolong strikes as they liked, and, on their side, employers were no longer permitted to use the high hand with their workmen. The system of arbitration which General Primo de Rivera set up is one of the few measures which have not been impugned by his detractors or revoked by his successor.

The King gave the Dictator many proofs of his loyalty. It was his desire to give his régime a fair chance of putting through the reforms of which the country stood in need. When the first crisis in the artillery corps arose, it was the King's wish to summon the rebel officers to a meeting and to address a personal appeal to them to submit. The Dictator preferred the stronger line of dissolving the corps, and the King signed the necessary decree—not once but twice, moreover, for the first disbandment proved

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insufficient, and the corps had to be disbanded again in 1929. He did, indeed, everything that he could to render General de Rivera's task easier. He even approved of the Dictator's proposal to create a national consultative assembly and to draft a new constitution on his own initiative.

One of the few occasions on which the King insisted on his own way was over the appointment of General Berenguer as Chief of the Military Household. The former holder of the post, General Cavalcanti, one of the early supporters of the dictatorship, had been discovered to be implicated in the Liberal conspiracy of June 24, 1926, the "night of St. John," with Generals Weyler and Aguilera. He was therefore compelled by the Dictator to resign, and sent, by way of punishment, on a mission to the Balkans. General Berenguer was also in disgrace for having attended a dinner at a Madrid hotel at which there had been political speeches and even subversive talk. He was at the time actually undergoing six months' detention in a fortress at Fuenterrabia when the King insisted on pardoning him and summoned him to the palace. General Primo de Rivera was at the time "one up." For had he not deprived the King of his chief military aide? Perhaps he let the King, if it is permissible to make use of another colloquialism, get some of his own back, because he thought that General Berenguer would be less dangerous in the palace than he would be in an independent command in one of the military districts to which his rank entitled him. "He shall play no Bourbon tricks on me," was one of the many remarks about the King attributed to the Dictator which was going the round of the country. But the clever way in which His Majesty kept General Berenguer in the palace, as a "strategic reserve" so to speak, is now looked upon as a proof that General Primo de Rivera was himself outwitted by King Alfonso. The final breach between the two arose over the constitutional question. A draft of 700,000 words was drawn up by the Consultative Assembly and translated into English,

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French, Italian and German for circulation abroad ; but it never got any further than the Spanish press. The permission to criticise it proved fatal. For three months it was torn to shreds by newspapers of every shade of opinion, the chief objection being that it was more like a royal charter than a constitution. The Socialist party in particular made a bold stand against it, "because under the draft all democratic laws which happened to clash with the privileges conferred by it on the King and his associates, the great oligarchies, would be wrecked on the breakwater of uncontrolled legal power." Bitterest of all perhaps were the comments of the Liberal-Conservatives, the direct successors of the party which, under Canovas del Castillo, saved the throne for the infant Alfonso. But the fear that His Majesty might approve the draft by royal order, after a favourable *pro-forma* plebiscite had been arranged, and then allow the Dictator to promulgate it, became an obsession with Liberals generally. Unfavourable reflections were, as a result, passed on the faithlessness of the monarch. The high water mark indeed of the King's unpopularity was reached. Whether all this affected His Majesty's attitude or not it is impossible to say. He must, however, have been aware of what people were saying. It is, at all events, a fact that, when the Dictator proposed at Christmas, 1929, that the draft should be discussed in the Consultative Assembly as a preliminary to its eventual promulgation, the King refused his consent and definitely broke with him. The details of the fall of the dictatorship are too fresh in the public memory to need recapitulation here. The important thing to bear in mind is that at the final stage the King took his stand on the side of the 1876 Constitution and was as resolute in his dismissal of the Dictator as he had been in accepting him.

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III. AT THE CROSSWAYS

IN the adventure of the dictatorship King Alfonso clearly sailed pretty close to the wind ; so close, indeed, many think, that he has almost jeopardised the monarchy. The shades of Fernando VII and Isabella II always hang heavy over Spanish Liberalism. The nation reaped some advantages. The open sore of Morocco is no longer there, and there is no branch of the administration which has not been galvanised into activity. It is, in fact, the exact opposite of the old state of things which led to King Alfonso's famous complaint at Cordoba in 1922—another unconstitutional action, by the way—that he could get nothing done. It is now rather a question of putting on the brake, of restraining Ministerial activities, which in six years have increased the public debt over £150 million. Whether the sensational fall in the peseta rather more than a year ago from 29 to 42 to the pound sterling, the figure at which it stood at the moment of the Dictator's death, was more due to heavy spending or to lack of confidence in the political future, is a point on which the experts differ. Probably the thing which had most to do with it was the uncertainty.

Dictatorship is the Rubicon for constitutional governments. Once crossed, all sorts of difficulties stand in the way of getting back again, and the absence of the Dictator only makes the obstacles more formidable. The circumstances in which the 1876 Constitution had to function in 1923 were delicate enough. They are nothing compared to those of 1930. If there were grounds for a royal impeachment in 1923, who can say what will happen when the Cortes, to which General Berenguer is pledged to hand over his powers, actually meets ? As these words are written odds are being offered in political circles in Madrid that the

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Cortes will never meet.* For, whatever the precautions taken to ensure a Government victory, it is impossible to have a parliament which does not contain a certain proportion of members opposed to the dynasty, and they will carry extremely powerful weapons ; so powerful that those who are offering the odds believe that the prospect of having to face these anti-dynastic batteries will drive the King into the arms of another Dictator. He might, of course, plead the excellence of his intentions in supporting the dictatorship and throw himself on the clemency of his people. This is a course which would correspond in a large measure to the realities of the situation. It is, however, considered unlikely to be adopted.

The alternative is a battle in the Cortes. Hence the critical character of the general election for which the country is now getting ready under the guidance of General Berenguer and the Cabinet of out and out monarchists which, after the fall of the Dictator, he succeeded in getting together so quickly from such material as the entourage of the palace supplied. At the present moment General Berenguer is the master of the situation. There are two courses open to him. One would be a complete novelty in Spanish politics, to neglect all side issues and to do his best to secure a genuine election in which the whole power of the Government would be concentrated on guaranteeing freedom of speech and giving every candidate a fair chance. The other course is to do what has so often been done before, to engineer the elections from the Home Office by assigning the different constituencies to approved candidates who could count upon the support of the civil governors and local authorities. The obstacles to a free election are enormous in Spain. To begin with, the voters' roll is defective, and if, contrary to the usual custom, free canvassing were to be allowed, the monarchist parties

* On May 10 General Berenguer informed a representative of the press that he intended carrying out the elections as soon as the new census had been taken. (See *The Times*, May 12, 1930.)

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would lose heart in many of the districts and the road would be left open to the more active opponents of the existing régime. On the other hand, to go back to the old system of *encasillamiento*, or "place-men," would mean the re-establishment of the very political evils which led to the dictatorship. It would then only be a question of time for the same causes to produce the same effects, and the situation would inevitably gradually ripen for another dictatorship.

Señor Sanchez Guerra's attack upon the King failed to satisfy the republicans, but it has had the effect of rousing the monarchists to action throughout the country. He would get rid of Alfonso XIII, and yet he professes himself devoted to the monarchy. He is unlikely to find much support for such a fantastic adventure. The idea of dynastic conflict has little attraction for Spain; she suffered too severely from the Carlist wars. On the other hand, the events which followed the fall of the Dictator showed plainly that King Alfonso's dynasty, the central buttress of the State, is still capable of standing a considerable strain. The dictatorship broke down partly owing to the combined attacks of its enemies and partly owing to the Dictator's own mistakes, including his last desperate appeal to the generals, and to his failing health; but the crash found the King at his post, equal to the occasion. The fact that, contrary to all expectations, it proved possible to change back with such amazing tranquillity from the dictatorship to constitutional methods was due more than anything else to his resolute attitude. This, at all events, was an outstanding service, and it is felt by every royalist to be a matter for congratulation. It is, indeed, helping the royal cause. Count Bugallal, the late Conservative Premier, who so sternly reminded the King of the Sandhurst manifesto and his constitutional oath, has climbed down. His smiling face was the first seen on the palace staircase. Count Romanones, the most eminent of the Liberal leaders, who was fined

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half a million pesetas by the Dictator—the writer of these lines has seen him pounding the arms of his chair and roundly maintaining that “it is impossible to have anything to do with King Alfonso”—has now paid a visit to his sovereign and also made his peace. There are, indeed, distinct signs of a rally to the throne. So far, it is true, the only people who have come back are the old *políticos*, as we call them in Spain, or to give them another nickname, the “gravediggers of the Constitution,” for the dictatorship was really their fault; it was they who provoked it. New liberal forces have undoubtedly come into being, but it is impossible at present to gauge their attitude, because freedom of speech has not yet been authorised. Perhaps, after all, this section of opinion will not be found so completely committed to republicanism as seemed likely a few weeks ago; there are certainly numerous elements wavering on the brink. But the British monarchy has a powerful fascination for Spanish Liberals. It has long been their ideal and probably even their extremists would be content with clipping King Alfonso’s wings, a course which its sovereign powers would permit the Cortes to take in the most decorous manner without recourse to special elections. Possibly the feelings of Liberals of this type found expression in a remark of Don Melquiades Alvarez, the leader of the old Reformist party, a republican who turned monarchist in 1916 and who is believed to have reverted to republicanism in 1923. “I am a republican at heart,” he said, “but I fear that a republic is unworkable in Spain.” No time is, moreover, being lost by the Berenguer Cabinet in doing a number of things—of which, by the way, His Majesty has approved without a murmur—which are encouraging Liberal waverers to close up ranks round the throne. The most striking of them was the re-establishment of Don Miguel de Unamuno as Professor of Greek at Salamanca. The passionate controversy provoked by his banishment almost recalled the Dreyfus case. The violent character of the personal

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attacks which the Professor had made on the King and the royal family had shocked all sensitive persons and he was several times indicted for *lèse-majesté*. This stubborn Basque was a thorn in the Dictator's side, and the latter was deterred by no scruple from taking means to deprive him of his Chair and vice-rectorship. Unamuno was exiled to the Canary Islands, and when the Rector of Salamanca University was asked where he was, he replied that he did not know, upon which the Education Department declared the Chair of Greek vacant as having been abandoned. When Unamuno appealed to the Courts, the Dictator wrote an insulting note on the margin of the dossier and sent it to the archives, reminding the Court that there was no appeal from his decision. Unamuno then took up his quarters in a little hotel at Hendaye, a few yards from the international railway station, and right on the frontier where, with the assistance of Don Eduardo Gasset, an exiled republican deputy, he became one of the principal centres of the opposition to the dictatorship. The novelist, Blasco Ibañez, until his death, helped him by distributing pamphlets in Spain from an aeroplane and by writing for *Hojas Libres* (Free Sheets), a curious mixture of scurrilous libel and monumental truth, published at Bayonne and circulated in Spain. Both Gasset and Unamuno are now back in Spain. Unamuno has been reinstated in his Chair at Salamanca by General Berenguer's Minister of Education, and the illegal circumstances which led to his losing it have been made public—all except the Dictator's marginal note which was considered unfit for publication.* Five university professors, who resigned as a protest when the universities were closed by the Dictator as a disciplinary measure, and the students

* Since his return, the professor, by way of justification of the character of his language in *Hojas Libres*, has explained in a lecture that one cannot tickle a rhinoceros with feathers. He declared that the Dictator had, however, been a puppet in the hands of the King, and that he himself had returned to Spain "to help in the good cause of making a revolution." (*The Times*, May 3, 1930.)

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rebelled against the imprisonment and exile of their leader, Antonio Maria Sbert, who was treated as a common agitator, have likewise been reinstated. Besides these cases, reparation has been made for numerous other acts of injustice, among the rest, the notorious case of Sainz, the Inspector of Schools at Granada, who was dismissed because of his religious opinions. The university troubles which did so much to make the dictatorship unpopular ceased as if by magic upon its fall when Señor Callejo, the unpopular Minister of Education, was removed. But the question of the liberties of the Church still remains. The Church consistently supported the Dictator, though he did little for it in return, beyond slightly increasing the disgracefully inadequate salaries of village *curas*. But the proposal to separate Church and State, which is in the forefront of the republican programme, has marshalled the priests in a solid phalanx behind the throne, and republicans who wish to remain faithful Catholics are placed in a very difficult position by the uncompromising attitude of the bishops. The Church enjoys a commanding position in Spain, not only because it has centuries of tradition behind it, but because about half the fifty per cent. of Spaniards who receive any sort of education owe this boon to the religious teaching orders. If a republic were to be established, it would accept the *fait accompli*, but meanwhile, it uses all its influence to prevent such a contingency.

The Army

This section must not be brought to a close without a word about the Spanish army which has played so dominant a part in politics during the last hundred years. Whatever the troops do or do not do at a particular moment must always be a factor of importance. A military conspiracy admittedly put General Primo de Rivera in power. The revolts at Valencia and Ciudad Real in 1929 and the latent spirit of rebellion among the Andalusian garrisons in 1930 played a large part, possibly a

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decisive one—for the King's mind may well have been influenced by the existence of this spirit—in the overthrow of the Dictator. The Prime Minister and the Minister in charge of the Home Office (the department which controls the elections) are at the present moment both of them generals, which is tantamount to saying that the army is not yet out of politics.

General Primo de Rivera restored discipline sufficiently to make a respectable fighting force of the army in Morocco, and he provided better clothing and housing for the conscripts, improving both *matériel* and equipment. But he, too, was debarred by his own origin from making the sweeping reductions which are the only way in which the relations of the army with the nation can be put on a proper basis and its inroads on the national exchequer prevented from being of a predatory nature. The General made some attempt to reduce the excessive number of officers by closing the military academies. It was, indeed, reforms of this kind which made him unpopular and brought him into collision with the artillery officers' corps. But it was not only for himself that he made enemies in this way; the wrath of the artillery corps officers was also turned upon the King. So much so that they expelled Prince Jaime, his second son, from the corps of which he had been a member from his birth—the heir to the throne is always an infantryman, the second son an artilleryman—on the pretext that, being deaf and dumb, he was not physically fit to wear the artillery uniform. Now that the army has assumed the character of a genuine conscript force, republicanism has in any case taken an increasing hold on it—it is growing among our youth generally.

So much can be said with confidence. But it would be a totally different matter to try to predict what rôle the Spanish army is going to play in the politics of the future. It is, as we have seen, far from being non-political to-day. In history it has always prided itself on

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being the nation's army rather than "His Majesty's forces." During the struggle for liberty in the nineteenth century it was generally on the liberal side. But whether the generals assemble to support a liberal *pronunciamento* or a dictator, it is always the civil power which suffers.

IV. UNCHANGING SPAIN

TO sum up the situation then, it may be said that, as parliamentary government has never been a reality in Spain, the past six years of autocratic rule have had little effect on Spanish institutions. Certainly appearances point to that conclusion. The Dictator showed considerable administrative ability, but he utterly failed in so far as the most important service, which he might have done his countrymen, is concerned. By merely coming into being and by the injustices to which it lent itself, the dictatorship stirred up liberal sentiment and favoured the growth of republicanism—the belief gained ground, indeed, that during a century of friction the monarchy had proved to be incompatible with democracy. But the Dictator never awakened public spirit.

The dictatorship then has left behind it an aftermath of confusion and a grave suspicion of the sovereign. There have been few changes in Spain except material improvements in the way of roads and public works, and General Primo de Rivera's disappearance from the scene and his pathetic end gave rise to curiosity but to little emotion. The nation goes on its way independent and indifferent, cheating the State as far as it can in the matter of taxes, but never ceasing to revere Church and King in the good old traditional manner. Its attitude is indeed the despair of all who have been called upon to govern it. Yet, in spite of statesmen's misgivings, may not this very indifference and independence be the greatest proof of all of the Spaniard's real strength? They, at any rate, show

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that he is not taken in by political fictions and that he despises demagogy. Socially, he is a sincere democrat.

When the King consulted him shortly before his death, Antonio Maura, the Conservative statesman, gave his view on the question of what is the matter with Spain as follows :—"Convalescence can only come when Spaniards give up their aloofness and take their part in politics. If this does not happen in due season it means that God has abandoned us and nothing can save us." If a republican opinion is wanted, there is also one ready to hand :—

While rapid changes take place on the political stage (writes Alvaro de Albornoz) the nation dozes and yawns. Her tragic silence seems to indicate that she does not suffer. A century of superficial, ephemeral revolutions leaves the statesman confronted with the same problem in 1930 as in 1812. The economic, social and political constitution of Spain is still undefined.

Spain then has still to find herself collectively, and she will do it in her own way. No one who knows her immense vitality can have any doubt about the ultimate result. But whether she will work out her destiny under a monarchy or a republic is on the knees of the gods. Monarchy has great traditions behind it, but there is something about it as it is found in Spain that fails to satisfy the rising generation, and this generation is bound to take a larger share in moulding the destinies of its country than the old imperfectly educated and backward generations of the past. The key to the future is in the King's hands.

But although he has such a charming and *simpático* personality, Alfonso XIII, too, has never descended from the remote pinnacle on which a Spanish monarch always stands. Philip II is his model, an inscrutable figure about whom historical research is beginning to modify the old harsh judgment. Philip played handball, Alfonso polo, but both, in the critical moments of their lives, have revealed a fundamental mysticism. Philip was the slave of his conception of his duty to the State. In many of Alfonso's political actions it is easy to trace the same high motive,

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in however mistaken and twisted a form. The analogy can be carried further. Alfonso, too, is building an Escorial. A great university city is rising on the hills above the Manzanares. It looks across thirty miles of Castillian plain to the imposing grey structure at the foot of the Guadarramas. It is perhaps characteristic of the difference between Philip and Alfonso that the principal source of revenue for this latter-day Escorial is the proceeds of a national lottery.

Madrid.

April 23, 1930.

AN EXPERIMENT IN AFRICAN EDUCATION IN KENYA

I. THE NEW IDEA

IN the Rhodes memorial lectures, General Smuts emphasises the importance of recognising that the development of the African depends largely on the reaction of the African to the European civilisation with which he comes inevitably into contact. His educational policy for the civilised native is summed up in the sentence, "white employment is his best school."

It is not the least of the difficulties with which those who are responsible for guiding the development of the native have to contend that the politicians, who in the last resort are our masters in these things, fail to recognise that there has been of late years a great revolution in regard to the handling of the educational problems of the native. On the one hand, it is no longer true that those who desire the development of the native believe in the efficacy of a purely literary education; on the other hand, the education of the native by means of forced labour is, as far as the great bulk of European opinion is concerned, a thing of the remote past. These are the Aunt Sallies which are put up either by those who hold that education is in itself bad or by those who regard the past errors of some despotic European as typical of all Europeans.

The problem of native development in its widest sense is recognised more and more as being both an economic

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problem and a social problem. On the social side the development of the native involves a revolution, not necessarily in his tribal life or in his relation to his neighbours, but in his manner of living in his own home. That social revolution, which has begun in the native reserves, involves inevitably an economic revolution not less important. If the efforts which are being made in Africa to help the native to develop socially and economically are a success, that success carries with it inevitably a complete change in the relations between black and white. To express the result in its lowest terms, the native will come to realise more and more that his social betterment involves him in greater needs, which he can secure either by working for the European or by improving his own methods of production. The European will realise that by encouraging the native in both directions, he is working in his own interests as well as in those of the native.

How far it is possible and practicable to help the native to develop along those lines is a question which the following account of the results, in an individual instance, of an educational experiment in Kenya may help to answer.

II. JUSTIN, A PIONEER

HE was a little fellow, as most of his people still are, about the height of Mr. Lloyd George, perhaps, though slighter, for he was suffering from phthisis, but it was only later, as I thought over the full magnitude of his achievement and realised the infinite capacity for taking pains which alone could have made it possible, that I remembered that he was not tall. At the time I was too much interested in the things he was showing me and the explanations he was giving to notice much about him; he was too good a propagandist to allow his visitor's attention to be diverted to anything so unimportant as himself. He was an artist as well as a craftsman, and for

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two hours he never failed to "get across." I doubt if inspiration has ever failed him, for he is in love with life; the wonder is how he does it all, how he can find the energy to translate it all into action, and the time. The chemists have a word for the energy part of it, *catalytic*, but the question of time must remain a mystery. He is a Kikuyu by race, and a Jeanes teacher by profession, and his father, who died only the other day, was a witch doctor of some repute. But before I tell of the truly remarkable demonstration which he gave me of the way in which his particular patch of Africa was being remade, and of all that he hoped to do, I must first explain as best I can what a Jeanes teacher is, and tell something of the dragon of ignorance and superstition and fear against which he has couched his lance and of the squalor of the Augean stables which he means to clean.

His folk, the Akikuyu, are a Bantu-speaking people living on rich land in the Highlands of Kenya. They are an agricultural tribe and own no small number of stock, both cattle, and sheep and goats. They have been settled sufficiently long to have a complicated system of land tenure, and they have some fables and make rude pottery and have worked iron. They are a pleasant folk if you know them, though this is not, perhaps, the general opinion, and many of them are very charming little people, but fear still holds them only too often, fear of a thousand things seen and unseen, and they are suspicious and self-conscious; they have not found themselves; and they class ourselves on occasion with nature and the Masai, who have ever been against them. That is as far as their culture goes. They are intelligent, but they have little knowledge, and the tribe maintains its numbers by bringing into the world many times the number of babies that should be necessary. The folk are of small stature for the most part, perhaps to some degree because it is inborn, but to no small degree because as babies they are wrongly fed, and because childhood is spent acquiring immunity from

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disease. Parasites play a great part in hindering their development, and probably in reducing their capacity for both physical and mental work. And ever they spend the hours of darkness in a hut, the atmosphere of which is vitiated beyond belief.

Their villages, like almost all African villages, are squalid to a degree. Goat dung and cattle dung and all kinds of domestic refuse litter the village, and outside the ground is fouled with human excrement. The folk themselves are unwashed. The young men on a gala day, shining with oil and bright with feathers and red clay, may be a fine sight, and the young women also, but they are not clean, nor are their dressed skins or blankets. When the oil and the red mud go, caked dirt remains, and for the doctor or the nurse who handles the children and the older folk it is often no pleasant business. In the dust and ashes of the village pot-bellied children play—pot-bellied children scabbed with itch or yaws, with filthy hands, and dirty skins, and running noses. And enough survive to maintain the numbers of the tribe, or, as is likely nowadays, to increase it. The women are no better, caked in dirt, clothed in filthy skins, they prepare the food with hands which are never washed, in pots that are never cleaned, and at night the family, together with the goats and calves and fowls, crawl to rest in mean, airless, unlit hovels filled with smoke and the stench of animals and man; and the countless rats awaken.

Such is the average Kikuyu village to-day, and for that matter the average village of Africa, the villages he is going to remake; and in such a village Justin first saw the light, for, thirty years ago, when railhead had not yet reached Nairobi, there was nothing else. The tale as here told is true, plain, and unvarnished, and under such conditions women are brought to bed and delivered, and children die or live to die old men, and in the years between are on occasion merry, and almost always the pleasant little people whom we know. But is it a wonder that fear is never

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far away? Plague and pestilence come in a night, the young men die and the cattle sicken, the rains fail and the locust cloud looms on the horizon, and stark famine stalks through the land. To have witch doctors in such circumstances is only common sense, and if these doctors, bred of fear, come ultimately to batten on it, who can wonder? Till but a few years ago the dying were cast from the huts into the bush, there, dead or still dying, to be devoured by the hyena, for, as no one might touch the dead, the dying must be removed in time. But it would be wrong to call the people cruel—the custom was cruel, the people only ignorant and afraid. The custom is disappearing now, though it is still almost impossible to get a Kikuyu to touch the dead body of a stranger, and there are other things they fear to deal with. Superstition, doubtless soundly sanitary in its origin, makes sanitation difficult to-day.

These are some things we know, but few of us speak their language, and still fewer know the innumerable taboos of native life, and ever we must be offending, whether we would help at childbirth, or in the ordinary affairs of life, or, as we have done, at death. It is for these reasons among others that my friend's work is so remarkable.

I have described the average village, the great majority of villages in fact, but in places changes have taken place. The business of throwing the dying into the bush is stopping. Some of the men folk of the tribe have been trained, in the King's African Rifles or as police Askari, to be clean, and have learned discipline and to have less fear of the unknown. Some men and a few women have learned new things at missions and on European farms, and a few homes have been affected. Slowly khaki is replacing skins or blankets, and of late years even the fashions of the women have been changing. For a generation now government officers in the native reserves have built roads, have endeavoured to improve crops, to afforest the land, and to prevent famine. They have governed with an even hand, and in a hundred ways have laboured and struggled through

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long days and against great odds to do something for the land, and for a fear-ridden and suspicious people, or at the least to keep both from harm; they have been no mean missionaries of action, and much has been accomplished. Famine is less often terrible, pestilence is sometimes held in check, fear has in places been conquered, and some confidence has been established. Some few of the Kikuyu are beginning to look out on to the world which has opened to them, and some are browsing over new ideas; but because we started at so low a point, because fear was so dominant that for long but little was possible, and partly because in these circumstances the outlook was too dark to encourage much hope of carrying out any fundamental reconstruction, and partly, perhaps, because our conception of the meaning and possibilities of education were those of our time, but little reconstruction has yet been achieved in the home life of the people. The villages of to-day are just such as that in which some thirty years ago Justin, naked and unashamed, played and survived. A few men folk have been affected, it is true, but it is only too well known that the labourer, or even the soldier or the policeman, when he returns to his reserve, reverts, and the culture of their children is that of their wives, the culture of the average village.

But the work of these years in Africa has opened a vista, the folk are approachable now and the District Officer recognised as a protector, and during these same years there has been progress elsewhere. Administration in England to-day is a far more comprehensive business, and covers a far wider field than was the case even a few years ago, education has become a function of administration and has a wider meaning, and is a more liberal term. Educational methods which result in education have been devised to replace methods which were productive of little good and often of much harm; the importance and the possibilities of the child have been realised; the Local Authority—the meeting of the elders as it were—employs

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not only a sanitary inspector, but a child welfare officer, the conscience of the Councillor has developed, the Authority is propagandist, and the remaking of urban and rural England is in hand. What is being done in Africa ?

In Kenya a beginning has been made, though but little has yet been heard of it, for the experiment has so far been carried out in its completeness only on a small scale, and Government itself has made the experiment ; it has been done through the Education Department, carefully and scientifically, and my friend, who was a pupil of the Jeanes school, has carried it out.

Now up to the present, as we have seen, we have hardly touched the people in their homes, for even such important agents as the District Officer, the King's African Rifles, the police and the settler have affected only the male members of the population. The missions and the settlers' wives, it is true, have done something for the women, but the opportunities of the latter have been limited, and the equipment and the training of the former have been inadequate for the task, nor always has the task been understood. Fundamentally the task was to educate, but the administrator had little hand in direction, the task was relegated to the missionary, and for the most part letters alone received attention ; and little more was accomplished or attempted than to cover the country with a network of "bush" schools where pupil teachers, themselves but poorly educated, haltingly, and without method or supervision, taught the three R's for a living. And innumerable children wasted time—Justin, I expect, was no exception. But the bush schools, if poor or even bad, were all that there were, and at the least they represented an organisation stretching out over rural Africa. Constructive supervision was required, a leaf was taken from an American notebook, and a Jeanes school was established in Kenya with the help of the Carnegie Trust.

To this school, which is a school for the training of teachers, come native teachers selected by the missions,

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and among them only four years ago came Justin, then a bush teacher and still but poorly educated. He was accompanied by his wife and children, and the whole family was trained. He was taught new methods of teaching and new subjects: hygiene and better methods of living had an outstanding place; agriculture and economics had also a place, and everything had a definite relation to village life. The importance of play and the importance of beauty were not forgotten. It was impressed on him that he had a function among the parents as well as among the children, and a great function in relation to the life of the whole community in his district. And his wife was taught to knit, and sew, and cook. After two years he returned to his district and settled in his village to do what he could to put new life into the bush schools in his area, and to help his people—a difficult job. Without powers, without prestige, the Jeanes teacher goes back to his district to battle with custom, prejudice, and disease, to teach and to inspire his people with enthusiasm for new things, and to do this without losing or wasting whatever may be of value in native life and custom as it now is—to remake rural Africa. It is a fine conception, and if a system has been established which enables it to be carried into effect it is a great thing; and I went out to see how a Jeanes teacher works in the field.

We met Justin at a bush school, it was in the native reserve, but it did not, like most such schools, justify its name. There was no bush. Instead there were trim lawns of Kikuyu grass, green and fresh, neat paths and flowers and fruit trees, and a large field cultivated by the pupils. The school building, a mud and wattle affair with a grass roof, was none too good, but it was clean and tidy. Justin quite rightly is dissatisfied with it, and he has collected over a thousand shillings for its rebuilding. There are some other small buildings or shelters in which outdoor classes are held, and one in which his wife teaches the mothers knitting and sewing. I saw some of the

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knitting. To begin with I was shown an enormous sock. It would have been an outsize even for a giant, and for the moment I was grievously disappointed till it was explained that this was a practice sock; it was made of material obtained by unripping sacking, and it had been unripped and reknitted many times. Then I saw other socks, and jumpers for the children, all made of real wool, and all well made. The knitting needles are fashioned from bamboo cane. If these jumpers become popular many lives will be saved, for the mornings and the evenings are cold in this part of the country, and pneumonia is our most killing disease. Then there was a workshop. The bench and all the fittings had been made by Justin, and here he taught both children and parents simple carpentry, how to make chairs and tables and cots, and door and window frames, and food cupboards and boxes out of packing case wood which he buys in Nairobi. He is building a new carpentry shed, and it is being excellently done. The framework is of wattle poles, of which I shall have more to say later. I asked if there was a school latrine, and it was shown to me. It was a pit latrine, and clean, and it is being used. The adult Kikuyu has strong objections to using a latrine, but if the children are being trained our difficulties will soon be over. As for the children themselves, they were all fairly clean and many of them remarkably so. They are taught to come clean to school and they are taught to sweep the school daily. Justin himself has six children, and two of the oldest attend this school. I saw them. They had decent print dresses and could not possibly have been cleaner.

Then we went to his own house. We went by car, with some little difficulty, it is true, over a rough road which he had lately persuaded the native authority to put through. Most of the way the road was bordered by native wattle plantations. After about a couple of miles a sharp turn to the right brought us into a neat, well-swept path, bordered with the kind of carnation plant which does not

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flower well in this country but which is excellent for edging paths, and we found ourselves at his house. It was not a large house, even as the houses of some of the better educated natives go, but it was full of interest. He intends to build a better house shortly, but of that later. The present house is well built of wattle and daub, and it has a grass roof, the walls are eight feet high, and it has three rooms. The central room has a door back and front and is the living room, it contained an oblong table covered with a clean cotton trade blanket, and there were three bent-wood chairs. All had been made by himself. An interesting feature of the room was that it had a ceiling—made of flattened kerosine tins. On the right, opening off the central room, was his wife's room, and on the left the children's room. The latter contained two smallish beds or cots, but no blankets or bedding. I asked about the bedding and was told that children's bedding had to be washed not infrequently. I noticed it later spread out over a neat macrocarpa hedge drying in the sun. It was ragged, perhaps, but clean. His own bedroom was a small detached building of light but unmudded wattle construction through which all the winds of heaven could blow—he had, as I have said, phthisis. To one side of the house was a small detached wattle and daub kitchen, and on a rough table pots and pans of aluminium, and plates and mugs of enamel were turned out in the sun. The kitchen was swept and clean.

Behind the house and to one side was a thing I had never before seen in the Kikuyu country—a pleasure garden. An excellent piece of green turf with some shade trees, a path surrounded it, and outside of that were beds bright with flowers. On the small lawn and on a rug of some kind were his four younger children, clothed, clean, fat, and healthy. Further over was a large kitchen garden with rows of most excellent cabbages, carrots, beans and peas, among which his wife, bare-footed but cleanly clad in a blue print frock, was working. In front of the house was

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a large orchard with well grown custard apple trees, lemons, and loquots. Here and there were some trees and shrubs, which, he explained, were old-fashioned remedies. He asked me to have the roots analysed. Then there was a store full of hoes and odds and ends, and an improved type of grain store, all built of wattle. About fifteen yards from the house was a pit latrine. Beyond was a piece of land about a quarter of an acre in extent enclosed by a high palisade of interwoven wattle branches. He unlocked a door to let us in and we found it to be a large hen run, complete with coops and perches. In the centre a wattle frame building about fifteen feet by eight was in course of construction. I asked what it was and he explained that it was to be a goat house. "Our people," he said, "say that goats will not thrive unless they are kept in the huts we sleep in, but it is not true; my goats will get fat here and then the people can come and see." Another sanitary reform to be begun! Then we went down the hillside by a good path, and here I was surprised indeed. At the end of the path was a small mud and wattle building with a tin roof. Another latrine, I thought. But no. He unlocked the door—there were padlocks everywhere—and showed me a protected water supply! A barrel had been let into the ground, all but two inches, which remained to keep back spillings, and a gourd with a handle was available for ladling out the water. It was spring water, and it was certainly well protected. Lower down he said he had a tree nursery which was irrigated from a furrow, but I had no time to explore further, and we returned to the house. Here I was shown more things—a hut with a dwarf wall, and a table and some chairs where he could sit with his friends, and a curious little square building with a wooden floor set on piles which he called his office. It had a window and a table and chair, a file of *Habari*, the native monthly paper edited at the Jeanes school and published by Government, piles of odd papers and letters, and notebook upon notebook filled with Kikuyu proverbs, tales, and

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folk-lore which he had written down and which he is anxious to have published. Though he was a seller of new lamps he had no intention of letting the old ones go out so long as their light was needed. And he kept old lamps lit also in another way. He wore a queer fur cap; it was the badge, I was told, of a kind of scouting organisation he had instituted among the boys in the neighbourhood, which kept old names and was interwoven in a curious fashion with old ways and discipline.

Then at last we sat down on his home-made bent-wood chairs in the shade of his wattle trees to discuss methods of building and the design of houses. He was going to build a new house, and it was already pegged out. I wanted to measure it, but he knew the measurements, twenty-four feet long by fourteen feet, rectangular, with windows, and to be divided into two large rooms, one to be a living room, and one for his wife, and two small rooms for the children. The children were growing up and the girls must have a room to themselves. The height of the walls was to be eight feet. He would cut his wattle poles ten feet long, char two feet at the ends which went into the ground to protect them from white ants, and that would leave him with an eight foot wall. I asked why not a higher wall, say, ten feet, it would be cooler and airier, eight feet was perhaps on the small side. He agreed that ten feet might be better. "But," he said, "I am not merely building this house to live in. I want other people to build such houses also. It has to serve as a demonstration. To-day our people live in huts with walls only four feet high. If you put them in a house with walls ten feet high, they might feel lost. But I think we can get eight feet." It was the correct answer. He is going to put a corrugated iron roof on his new house, and for that I am sorry, but I do not know what else he can do. The grass in his part of the country is poor stuff for thatching; but undoubtedly corrugated iron is ugly. It is a curious thing, that squalid and terrible as

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the huts below them are, the thatched roofs which his people have made for generations fit into the country-side, they make a picture which is Africa, and they suggest a home. But there is nothing homely about corrugated iron. I think I know what could replace them without spoiling Africa, if only it could be done. If I blot out the grass roofs and see instead red tiles or shingles showing through the openings in the wattle and on the hillsides over mile upon mile of country which will be better wooded than the country of to-day, I know that I have not spoiled the picture. Surely in remaking Africa we need not spoil it as in some places already we have begun to do!

One other thing he showed me—his plantations. He had some well grown gums planted ten years ago, and much wattle, and it was the latter that had enabled him to do much that he had done. His house, his stores, his kitchen, the splendid palisading round his fowl run, his excellent goat house, all were due to wattle, for without it there is little wood in all that countryside. It costs him little but time and a few nails to build; it enables him to build high and well, it provides him with firewood, and he sells the bark, and Europe benefits, and in addition, his plantations and his people's—for all Kikuyu is now being planted up—have transformed the countryside, and in what was hot, unshaded land, show dark, and throw long shadows. Surrey and Perthshire know no better views—but tin roofs—surely we could prevent that desecration! India and Ceylon and all the East have known better this thousand years or more, and the prosperous peasant there passes not to tin but tiles.

Be that as it may, Justin has set his hand to a great work, he has shown what can be done, and he has been the first to do it, and though imperfect, yet his work is outstanding in that it is comprehensive and complete, no point of hygiene has been overlooked, his children are cared for and everywhere was evident the practical application of new knowledge; and culture, too, was evident—

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and when you think of it culture in one of its highest forms—a self-made library of the stories of his people.

But alone Justin cannot remake Africa, he is a pioneer, not an administrator. He has, however, shown the way and the possibilities, and he is one of an increasing band. I meant to ask about his accomplishment in the neighbourhood, but we had no time. It did not matter. An example such as he has set cannot but have effect, and in the school his influence was evident. Can the movement be made more general? Can the remaking of Africa now go on? In Kenya undoubtedly it can.

I have commented on the completeness of Justin's work, but it was remarkable also in another way, in its simplicity. It was simple to a degree, it was only a matter of wattle poles and nails, a measuring tape and holes in the ground, and a needle and thread and soap and water, a few print frocks and some pots of aluminium and some mugs of enamelled iron, and the keeping of accounts. Simple as it was, however, it would not have been achieved without an infinite capacity for taking pains. But think of the implications. Justin, though a teacher first, is yet no mean producer, he hires a man, and because he has given him effective tools and method, more work is done at smaller charges and there is the greater surplus for exchange. How many millions of enamelled mugs, of bags of nails, of yards of print, of ploughs and hoes are still required? And later, how much in the way of glass and steel framed windows? Another chapter in the romance of commerce to be written, for none of these things are made in Africa.

I have spoken of the magnitude of Justin's achievement, and the words are not wrong. Born and bred in the squalor of Africa, he had acquired new knowledge and applied it, he had built a home which it was a pleasure to visit, squalor had utterly disappeared, and he had made no mistakes; there was nothing of Europe but what should be there, though some things still were wanting. I thought of other homes I knew, the squalid, untouched villages,

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the improved houses of the towns where an equal if a different squalor sometimes reigns, and ragged pictures paper the walls, of some houses which had been built for show and are not used, and serve no purpose but to point to ignorance. I realised the length of the road he had travelled and the magnitude of his achievement, for not only had he remade Africa, but he had spoiled nothing as he worked.

Kenya.

April 1930.

GREAT BRITAIN: HOME AND FOREIGN AFFAIRS

I. THE LIBERAL-LABOUR ENTENTE

THE tactical position of the Government in the House of Commons has been enormously strengthened during the past three months, and it is, for all practical purposes, no longer a minority administration. This change has been brought about by the triumph within the parliamentary Labour party of that section which interpreted their vast and vague charter "Labour and the Nation" with a Radical rather than a Socialist mentality. From the moment that the Socialist element was almost wholly excluded from office, it was clear that the course of the Government was set in such a way as to prevent any recrudescence of the suspicion—which proved so fatal to them in 1924—that their army was "led by its corporals." It may be guessed that they were frightened by the successful revolt of the malcontents on the Unemployment Insurance Bill, when they were forced to make a drastic change in the conditions imposed upon claimants for benefit. It may be guessed also that the Liberals were frightened by their success in opposing the Coal Mines Bill into the realisation that a general election might not, after all, be good strategy. In any case, the stage was set for an *entente* between the Government and the Liberals, which was duly, if clumsily, consummated. Up to the middle of March the Liberals were still restive and occasional allies. They had brought

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the Government within an ace of defeat on the second reading and on the quota provisions of the Coal Mines Bill. They had caused the actual defeat of the Government on the proposals to give the coal industry power to make a general levy in aid of such purposes as the subsidising of the export trade. It is true that this defeat was comparatively unimportant—it merely made the Bill slightly less palatable to the colliery owners. But it appeared that the Liberal threat to the more vital provisions of the Bill and therefore to the existence of the Government had been strengthened rather than weakened. At this point, Mr. Lloyd George caused general surprise by declaring in the House of Commons that the critical position of the Naval Conference made it his duty not to embarrass the Government. It was a discovery which he might have made at any time during the previous six weeks, and he was therefore wise to supplement its importance later by announcing that the Government had sufficiently met Liberal objections to the Bill. This new Liberal friendliness was forthwith extended to cover every part of the Government's activities. In the final debate on unemployment before the Easter recess, Liberal exhortations to conquer unemployment on the lines of their election policy were practically damped out by Liberal acknowledgments of Mr. Thomas's difficulties ; and, after Easter, the budget was hailed by Mr. Lloyd George as, on the whole, an honest piece of work. The Government have therefore gained nearly 60 recruits, and Mr. Snowden has made a bid for their loyalty until after the next budget by postponing until then the details of his plan to tax land values—a dose that should be sweet enough to enable them to swallow almost anything. The prospect of this tax is, no doubt, one of the principal arguments for the Liberal change of front ; and it is suggested that another may be the more certain hope of a measure of electoral reform before the next election. Moreover, the active propaganda of the Conservative party in favour of tariffs must inevitably bring

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together the Liberals and Labour, so long as so fervent a free trader as Mr. Snowden exercises a predominant influence over his colleagues. Upon the debit side, the Government have henceforth to reckon upon the desertion of about 30 of their own followers, who have lost faith in the argument that Socialism is only postponed. It is, however, doubtful how many of these will really persist in revolt when they are subjected to the full pressure of the party organisation. Some could hardly hope to fight an election at all without help, and others would face certain defeat if they were opposed by a rival candidate on much the same ticket. In any event, the result of all these variations in the alignment of Parliamentary groups is to leave the Government much more firmly in office.

II. CONSERVATIVE EMBARRASMENTS

THE isolation of the Conservative Opposition has not yet increased its effectiveness. The party is still searching for a distinctive alternative policy and is seriously handicapped in the search by two factors. It is extremely difficult for a party which has passed so much social legislation to pursue the advocacy of economy without seeming to attack the social services, or to refuse to sanction payment for commitments of which it was the author. The best that it can do is to claim that other considerations must be subordinated to the stimulation of industry, and thus to the relief of unemployment. Since the declared goal of the Government, as enunciated by Mr. Thomas, is precisely the same, the quarrel between parties becomes one as to the best method rather than the best principle. The Conservatives have therefore to confine themselves to the advocacy of strict administration, and the denunciation of selective taxation. When they try to advance from these admittedly important points they get into deep water. Will their perception of the evil effects of heavy taxation

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lead them to stand for calling a halt in the development of social services and of schemes for unemployment relief ? Will they seek to persuade the electorate, on the text of the report of the General Federation of Trade Unions, that charitable services, like contributory services, must be paid for by industry at the risk of less employment ? So far there have only been hints of such a venturesome attitude. Other lines of advance have been slightly more developed. The policy of safeguarding has become far more widely accepted within the party than formerly. This is due partly to reaction against Mr. Snowden's decision to let the duties die at a time of acute unemployment, and partly to the deduction from protests against the demise of the lace duty on the part of the Nottingham operatives that the policy of safeguarding may come to have a wide appeal for the working classes in this country, as it has consistently had in the Dominions. Another rather paradoxical advance has been indicated by Mr. Churchill during his criticism of the budget*. Elasticity in debt redemption is to be a conceivable alternative to heavier taxation. In plain language, it may be better to borrow than to tax ; deflation may have gone too fast ; and a nation whose credit is so good should not draw up its balance-sheet as though it had no credit at all. It is doubtful whether a theory so contrary to Conservative traditions will advance very much further.

The second embarrassing factor for Conservatives is the persistence of the agitation of Lord Rothermere in favour of full-fledged protection as a means towards Empire Free Trade. His alliance with Lord Beaverbrook was dissolved when Mr. Baldwin agreed to submit food taxes to a referendum ; but that merely gave Lord Rothermere another personality to harass. Lord Beaverbrook has now discovered that his acceptance of the referendum may have been premature ; and has called for the reposting to him of the subscriptions in aid of Empire Free Trade propaganda

* The budget is dealt with in a separate article (see p. 474).

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which he had returned to the donors. These qualms were caused by a Conservative pamphlet which defined Mr. Baldwin's offer as a promise to refer to a referendum any demand by the Dominions for food taxes, should such a demand be an element in agreements by them to take more British exports. Lord Beaverbrook apparently objects to the implication that the question of a tax on foreign food-stuffs may not arise, and that if it does, and is defeated at a referendum, the Conservative party will not remain wedded to it. It is difficult to see why, if Mr. Baldwin did not mean to dissociate the fate of his party from the fate of food taxes, a referendum should ever have been dragged in at all.

At a general election the restiveness or the quiescence of Lord Beaverbrook would be of little practical importance. There would be many Conservative candidates—enough to occupy his crusading activities—who would go to the poll as unopportunist protectionists with a heavier flavour of adherence to Imperial preference; and others who would stand as candidates ready to allow the people to impose food taxes if they like. But meanwhile such a *modus vivendi* must survive the test of by-elections. This was successfully accomplished at West Fulham, where the Conservative and Empire Free Trade candidate was one and the same person. His narrow victory has aroused a wholly disproportionate amount of jubilation and speculation. On the face of it, there was no seat more likely to be regained by the Conservatives in any event, and its loss at the general election was very surprising. On the other hand, there is little unemployment in the district, and the failure of the Government to deal successfully with that problem could not have had the effect which it might have had in a distressed area. Lord Beaverbrook was allowed by the Conservative central office to dominate the election, and therefore his claim to have won it on his policy has some justification. No inferences can be dogmatically drawn from the result, but probably the most reasonable

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are that even the prominence given to the fiscal issue did not alienate a large body of Liberals from supporting the Conservative candidate; and that, provided the Conservative party remains united, its chances of success in any given constituency will not be ruined, as they were in 1923, by a greater insistence upon the protectionist element in its programme. The question is whether this unity can be preserved; and it will be answered at the forthcoming election in Central Nottingham, where the Conservative candidate, one of the most able in his party, has shown his dislike of Lord Beaverbrook's attempt to dictate Conservative policy. The constituency, as already noted, is one in which the safeguarding issue must be very prominent and is therefore most suitable for trying out the version of Conservative policy favoured by Mr. Baldwin. If this does not content Lord Beaverbrook, and he insists on running another rival candidate, a complete clash between Lord Beaverbrook and Mr. Baldwin can hardly be averted. If the danger of such a clash is not to revive at every by-election, Lord Beaverbrook must make up his mind whether he will be content with the duties of pace-maker, which all are ready to grant him, or whether he must insist on fulfilling also the duties of whipper in.

III. UNEMPLOYMENT

THE new friendliness of one section of the Opposition and the continued divisions of the other have thus freed the Government—at least in the House of Commons—from political embarrassment. Unfortunately their practical embarrassments have increased. A drop of between 20 and 25 per cent. in the wholesale prices of primary products during the last five years is still only partially reflected in retail prices. When existing stocks of raw material are exhausted, their replacement at much lower prices will, no doubt, benefit manufacturing industries,

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but until then the difficulties of manufacturers have increased. The situation of the primary producers, notably those engaged in arable farming, is unrelieved by even so distant a hope, and although the Government are supposed to be considering the policy of bulk purchase, put forward by some of their followers, it is probable that the adoption of so drastic and controversial a plan will be long delayed. The process of rationalisation has, generally speaking, proceeded far enough to economise labour in relation to existing production, and not far enough to expand production sufficiently to re-absorb the labour displaced. Exactly the same difficulties exist among other nations, and therefore there is a serious contraction of both home and foreign markets. One striking example is the heightening of the Australian tariffs as part of the effort of the Australian Government to restore its commercial budget, and therefore its credit and currency.* The only exception, so far as prospects for British traders are concerned, is the proposed new Canadian tariffs, which, if approved at the forthcoming general election in that country, will load the scales of imports into Canada in favour of British goods. These proposals are quite openly the answer to the new tariff laws in the United States, and not the response to Lord Beaverbrook's activities in this country; but undoubtedly they are a great encouragement to the hope that business deals between different parts of the Empire may be concluded at the forthcoming Imperial Conference. But, these possibilities apart, there is a general impression that the national finances, whether by policy or by force of circumstances, are still being conducted without regard to the greater difficulties of those who have to carry on the industry of the country; and that the weight of national burdens cancels any buoyancy or confidence that might be imparted to trade by the unexceptionable sentiments

* See p. 634 and p. 643 for recent action taken by the Australian Government in respect of imports.

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of Mr. Thomas or the establishment of a new Council, comparable to the Department of Commerce in the United States, under the Chairmanship of the Secretary of the Overseas Trade Department. The economic situation of the world, the trend of national policy, and the operation of the new Unemployment Insurance Act have combined to send up the figure of those registered as unemployed to nearly 1,700,000 and to keep it obstinately around that figure at a time when seasonal employment would normally have materially reduced it. The Government have been compelled to increase the borrowing powers of the Unemployment Insurance Fund by £10,000,000, and even this sum, at the present rate of unemployment, will be exhausted by the autumn.

IV. LEGISLATION

THE Coal Bill, as already stated, came to the Commons to be cursed and remained to be blessed. The overwhelming arguments contributed by the Government's pledges to the miners and by the needs of the industry which cry for the adjustment of production to demand, prevented its rejection by the Lords. The chorus of general dislike of the measure was therefore concentrated upon protests against the provisions for compulsory amalgamations (inserted under Liberal pressure in the Commons) and the rigid limitation of hours per working day. It is doubtful whether the dangers of compulsory amalgamations are not more apparent than real, owing to the provision in the Bill which gives the Railway and Canal Commission, the most unlikely body in the world to be swayed into uneconomic decisions, the power to veto disputed plans. But the proposal to spread working hours over a fortnight did seem to offer some guarantee of a minimum wage and continued employment to miners, and it is regrettable that it did not appeal to the Miners'

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Federation. The Bill, in the form in which it seems likely to leave Parliament, does not appear to guarantee that peace within the industry which was one of the chief justifications for its production. Better organisation may be effected in time to prevent contraction of employment or of wages or of both; but, on the other hand, it may not. The Government found time for only two other first class measures, the first of which was a Bill designed to speed up slum clearance. The method proposed is in substance to increase the subsidy payable on municipal houses if such houses are inhabited by persons transferred from the slums. The subsidy takes the form of a block grant payable to local authorities in respect of such housing schemes, calculated at so much for each person transferred. Local authorities will still be obliged to contribute a subsidy per house from the rates, but they can use the Exchequer subsidy to establish differential rents. Provided, therefore, that the cost of building does not rise, the Bill should result in lowering rents, as compared with those charged for the older municipal houses, by about two shillings a week upon half the new houses built under the scheme. The rents on the other half should remain about the same as those for houses built under the Act of 1924. It is hoped that these provisions will allow local authorities to adjust rents in accordance with capacity to pay; and probably in many cases the adjustment will be effected by allowances off the rent in respect of dependent children. This greater financial assistance is to spur local authorities on to undertake slum clearance schemes, and the legal procedure required for a scheme to become effective is also to be simplified. Different methods may be employed to tackle areas which are wholly slums, areas which are partly slums, and individual insanitary houses, and every authority is required to submit quinquennially combined slum clearance and new housing programmes. The general plan of the Bill is therefore to leave local authorities with no reasonable

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excuse for failure to inaugurate or carry through slum clearance schemes, and it has been stated that they have agreed upon the adequacy of the financial inducements. The Opposition in the House of Commons consented to give the plan a trial, but pointed out considerable *lacunæ* in it. The first is the assumption that slum dwellers only live in slums because they can afford nothing better, whereas in many cases they do so because they must be near their work. Some recognition of this objection was given by a promise to introduce a further measure for comprehensive town planning, which will increase accessibility to places of employment. Secondly, as the critical section of the Socialists pointed out, the principle of differential rents is bound to cause friction. A slum dweller has really not so much right to favour as one who by unsparing effort has kept his family out of the slums. Thirdly, no additional compensation, save for loss of business, is provided for owners of good property in slum areas. Fourthly, some critics are doubtful whether the operation of the Rent Restriction Act, which forbids displacement unless alternative accommodation is offered, will not checkmate schemes where the tenants do not want to move. Lastly, if the Bill is worked on a large scale by local authorities, so as to absorb all their housing efforts, the result may be to obtain only the same number of houses at a greater cost to the public.

A second most important measure which has passed its second reading is the Consumers' Council Bill. This is the result of the Government's deductions from the almost universal depression of producing industries and the almost universal prosperity of distributing industries. The inspiration of the Bill is the impression that the distributor is profiteering, and the knowledge that the increasing extent of distributive Trusts gives him the power to profiteer. It is therefore comparable in spirit to that anti-Trust legislation which has sounded so easy and proved so difficult to work in other countries. But the example

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of others would probably not have been followed but for the view of free traders within the Government that the remedy for the present difficulties of the country is not protective tariffs but the prevention of the interception of the effects of economic law. The goal of free trade is cheapness, and the theory relies upon cheapness to keep up the real value of wages, whatever may be the nominal level to which competition reduces them. Owing to the failure of retail prices to reflect fully the fall in wholesale prices, purchasing power has declined, and real wages have in fact fallen by about $4\frac{1}{2}$ points between June 1929 and February 1930. At this stage of the argument, the Government at last finds a point of contact with its left-wing supporters, who claim that the cause of unemployment is not over-production but under-consumption. If retail prices fell, the effect would be the same as increasing wages ; and the Government therefore have preferred the less controversial alternative of aiming at a fall in retail prices, or at least at a steady and speedily adjustable ratio between retail and wholesale prices. The Bill therefore provides for the creation of an investigatory body, with statutory powers to obtain information from traders, and allows the Board of Trade to fix prices for a wide range of commodities either on a report from this body, or, in case this procedure should take too long, by an emergency order. This drastic step has an immediate inspiration in the alleged failure of the existing Food Council to obtain information, which it has no right to exact, and in the further failure of such publicity as it has been able to give to the activities of retail traders to secure the adherence of such traders to a reasonable schedule of prices. It is clear that such allegations must always be the subject of indecisive controversy ; but even if it could be shown that retailers have exceeded the just charges—whatever they may be—for their services, that would not make practicable the form which the reaction against them has taken. No doubt the intention is only to have a more efficient Food Council, but that

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cannot excuse disregard of all the consequences which followed food control during the war. There must be a serious risk in assuming that disadvantages which were evident even in a time of emergency, of shortage of supplies, and of control of supplies can be eliminated in a time of peace, of a glut of supplies, and of the absence of any control of supplies. There appears to be some contradiction for example, between insisting that economic laws shall not affect the coal producer and insisting that they shall affect the consumer. The Socialist answer is that these two principles can be reconciled if the State controls a commodity at every stage of production, distribution, and consumption, and their support of the Bill is due to their belief that it must lead to this further satisfaction of their views unless it is to be completely unworkable. Conservative opposition is due to the same belief, and Liberal friendliness towards the Government has in no case been more clearly manifested than in the decision of the Liberal party not to challenge the principles of the Bill. The party has only persuaded itself to do so by stopping its logical faculties at the point where it perceives the lag between wholesale and retail prices, and trusts that only statutory investigation will be necessary in order to secure adjustment between the two. This assumption that the price-fixing provisions will be a dead letter will hardly be shared by traders ; and the Bill will doubtless be fought mainly on the strong argument that, however impracticable it may be, it will add to that uncertainty and pessimism among those who give employment which is so largely responsible for the mounting figures of unemployment.

Further fulfilment of the Government's election pledges has been postponed by the great congestion of Parliamentary business. The measures already noted and the usual financial business form a big programme ; and it is stated that the Bill for amending the Trade Disputes Act passed after the General Strike will have to be

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deferred. Meanwhile a Bill to implement the Washington Eight Hours Convention has been presented. The measure has been delayed for many years by the disparity of the interpretations put upon the Convention in different countries, and the fear that if it were strictly interpreted in this country, the competitive power of British industry might be further weakened. Much progress towards identity of interpretation was, however, made during the lifetime of the late Government, and although ratification to-day may be psychologically depressing to those industrialists who are already sufficiently discouraged, the practical effect will not be, and never could have been, great, because the vast majority of industries already work 48 hours a week or less.

V. FOREIGN AFFAIRS

THE Naval Conference, which is dealt with in a special article,* ended in April, and it accomplished on the whole as much as it could fairly be expected to accomplish. All five Powers agreed to postpone their battleship replacement programme until 1936, and this interval will give time to explore further the limitation in size and armament of these vessels. Great Britain, the United States, and Japan also reached agreement upon maximum totals of cruisers, destroyers, submarines and aircraft carriers, the effect of which is to allow the United States by 1936 a superiority in 8 inch gun cruisers, but to leave Great Britain superior in smaller cruisers. These arrangements will mean a considerable amount of replacement building for all the Powers concerned and allow the United States a considerable increase in new building, although the building programme of the latter must be much smaller than that contemplated before the

* See page 451.

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Conference. The claims of France and Italy proved, for the moment, irreconcilable, and further conversations between these two countries and Great Britain will take place later. But whatever people's views may be on the achievements of the Conference, the settlement with the United States, of which the naval agreement was the consummation, has been much the brightest spot in foreign affairs. Mr. Henderson's conversations with the Soviet ambassador have led to the conclusion of a provisional commercial treaty, although the simultaneous negotiations for the satisfaction of British creditors on Russia do not seem to be marching so happily. The Government has accorded diplomatic status to a Soviet trade delegation. In short, the Arcos regime has been effectively restored, with the additional impetus of the extension of the Export Credits system to Russia. Critics allege that these arrangements constitute an abandonment of the British claim that the establishment of relations should be contingent upon the settlement of the question of the debts repudiated by the Soviet, and are equivalent to the grant of credits to Russia such as were refused by the British electorate in 1924. On the other hand, none but short-term credits have apparently been granted; and it would seem doubly stupid to renew relations with Russia while making trade between the two countries exceptionally difficult. Negotiations with an Egyptian delegation upon the lines of the terms suggested by Mr. Henderson last year have broken down. The Egyptian delegation was unable to forget the intensity of its nationalism, and refused, in the words of one of its members, to "sign away the Sudan." The mass of the people of the Sudan, however, are of a different race to the Egyptians, and we have definite responsibilities to them, which it is out of the question for us to relinquish. A deadlock was therefore inevitable. Finally, the situation in India, which is also the subject of a special article,* is

* See p. 507.

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beginning to cause grave concern in Parliament, but there has not been the slightest departure from the wise tradition that British policy towards India must be a national policy. The report of the Simon Commission is imminent, and there is no doubt whatever that the British Parliament will proceed to review the system of government in India in the light of that report, whatever measures *ad interim* the dangerous disorders in that country may force the authorities on the spot to take.

VI. SUMMARY

THE past three months therefore have seen a considerable advance towards the establishment of a basis for naval disarmament. The crisis in that problem has come and has been more or less successfully overcome. But the Government's efforts to deal with every other problem, foreign or domestic, are still in their initial stages, and their prospects of success are in many directions less bright. This increase in their difficulties has cost the Government something in general prestige, although it is quite uncertain how far their handling of affairs will cause a reaction against their party. On the other hand, their tactical position in the House of Commons has been immensely strengthened. A fair verdict on the political situation to-day, therefore, is that, even if confidence in their ability to use their opportunities has waned, their power to use those opportunities as they wish has never been so unfettered.

IRELAND : EVENTS IN THE FREE STATE

I. POLITICAL

THE recent storm in our political teacup, although both short and sudden, has had some interesting results, and has clearly revealed the relative strength and position of our political parties. On March 27, quite unexpectedly, the Government was defeated by two votes on the second reading of a Bill introduced by Dr. Ward, one of the Fianna Fail deputies, to extend the scope of the Old Age Pension Acts. The Government opposed the Bill on the grounds that it would impose an annual extra charge of from £250,000 to £300,000, but, in spite of their opposition, it was carried by the votes of Independent deputies, who usually vote with the Government. The proposals contained in the Bill, whilst excellent in themselves, embody exactly the kind of extravagant social legislation which the Free State cannot afford and are based on the type of English legislation which, although in the past applied to Ireland regardless of its suitability, was both unnecessary and uncalled for. They were, however, excellently devised to secure the support of certain Independent members who had made lavish promises to the old-age pensioners during the last general election, and who were thus faced with the painful alternative of having to vote for the Bill or to break their electoral pledges. Faced with this defeat on a major question of financial

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policy, Mr. Cosgrave promptly resigned. Mr. Blythe, Minister for Finance, pointed out quite truly that the expenditure which the Bill would involve was not possible because of the enormous sums which had to be paid by way of compensation to repair the destructive activities of Mr. de Valera and his friends. Moreover, only a few years ago, the maximum of the old-age pension, previously reduced, was restored to ten shillings at a cost of about £200,000 a year, and the increase now proposed would really only go to provide pocket money for people living in circumstances of relative affluence. To illustrate the difference existing between the Free State and England he pointed out that of every pound of tax revenue 2s. 7½d. went in old age pensions in the Free State, and only 8½d. in Great Britain.

Under our Constitution when the Government resigns the Dail elects the new President of the Executive Council, and he thereupon chooses his Ministry, which must also be approved of by a vote of the Dail. Accordingly, when the Dail reassembled on April 2, the first business was the election of a new President. The first motion, to nominate Mr. de Valera, was defeated by 93 votes to 54, all the other parties uniting against the Fianna Fail leader; the second motion, to nominate Mr. O'Connell, the leader of the Labour party, was defeated by 78 votes to 13, Fianna Fail abstaining from voting; and finally the motion to nominate Mr. Cosgrave was carried by 80 votes to 65, the Fianna Fail and Labour parties both voting against him. His majority was made up as follows: 62 Cumann na nGaedheal (his own party), 10 Independents, 6 Farmers and 2 National League (Captain Redmond's party). By a similar vote on the following day the Dail approved of his renomination of his outgoing Ministers to their old positions. Both the speeches and the voting in these debates were remarkable, for they prove quite clearly that the Labour party which, though small in numbers, is closely in touch with the people, realises that Mr. de

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Valera and his party are steadily losing ground. Mr. O'Connell, its leader, made it abundantly clear in an able and convincing speech that his party would never support a leader who refused to accept the *de jure* as well as the *de facto* authority of the Dail, and he quoted with deadly effect Mr. de Valera's statement of March 1929,* that the legitimate authority to rule the country resides in the extremist body outside parliament, who claim to be successors of the old Republican organisation. Mr. O'Connell went on to state that his party accepted the Treaty as the irreducible minimum, in the same spirit as Griffith accepted it, regarding it as no more the final word than this is the final generation, and keeping in mind Parnell's dictum that "no man has a right to set bounds to the march of a nation." Captain Redmond, repenting of his former silly flirtation with Fianna Fail, joined in the onslaught, and Mr. de Valera was defeated by an overwhelming vote, which was not only in effect a fresh ratification of the Treaty, but which expresses in no uncertain terms the real trend of public opinion regarding Mr. de Valera and his party. It certainly makes the cleavage between them and Labour permanent and complete. This decision is all the more remarkable because Mr. Lemass, who is acting leader of Fianna Fail during Mr. de Valera's absence in America, recently stated that his party would not seek to commit the people to a line of action involving a fundamental change in the constitutional position without getting their approval beforehand by means of a referendum. This was a repetition of the pledge which Mr. de Valera gave in 1927, but such of his own recent statements in America as have filtered through to our press are not likely to inspire much confidence in his real intentions, for he still pursues his Kerensky-like course, divided between his desire to throw the necessary sop to the extremists who are his real masters and the necessity for soothing the moderate voters whom he

* See THE ROUND TABLE, No. 75, June 1929, p. 596.

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desires to convert to his views in order to obtain a majority. His dilemma is well illustrated by such idiotic and impolitic statements as that "the Irish people are virtually where they were before the Irish Free State came into being, under British domination, with British soldiers in Ireland still," and that when the next election gives him a majority he will be able to overthrow the Constitution, abolish the oath of allegiance, and rid Ireland of the illegal payments extorted by England. Moreover, he is reported as stating that he is prepared for "a show down with England," and, if necessary, "another battle of Clontarf," whatever this 'high-falutin' nonsense may mean. Very ignorant people in America may believe statements of this kind, but their repercussions on this side of the Atlantic are, as the recent vote of the Dail clearly proves, apt to be disastrous. A great number of reasonable people in the Free State would like to see Mr. de Valera's party in power, if only because this is the only way it can learn responsibility, and also because until we have an Opposition which has been in office it cannot be really effective, but they also feel that the risk involved is too great, for no one could trust Mr. de Valera and his friends to govern the country if the so-called Republican army emerged from its present deserved obscurity and placed a pistol to their heads. The more intelligent members of Fianna Fail realise the weakness of their position, and are seeking to develop an attractive economic policy which will distract the electorate from the Treaty issue and the quandary in which it places them, but Miss MacSwiney and her supporters have no intention of letting them escape by this door.

Unless the unexpected happens it would seem then that the instinct of self-preservation will secure the existence of the Cosgrave Government in the immediate future, and their recent defeat has really only strengthened their position and revealed the weakness and disunity of their opponents. The Independents, who are in sympathy with Mr. Cosgrave's party, if not of it, are not likely to

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take any more risks, for they have an uneasy feeling that Mr. Cosgrave might not be so obliging in rescuing them from their next escapade. Sooner or later a third party will probably arise—either as the result of division in the Cumann na nGaedheal party itself, or through the development of a new party representing business and agricultural interests. The Labour party has taken a step in the right direction by separating its political and trade union sides, and if it continues to display the statesmanlike common sense which it displayed in the recent crisis may well attract many of the large body of voters whose attitude to the two big parties is that of “a plague o’ both your houses.” The Farmers’ party is now virtually a wing of the Government party, and will probably disappear altogether at the next election. Both they and Captain Redmond will most likely seek “safety first” in the ranks of Mr. Cosgrave’s battalions. The Independent element, representing as it does the shadow of the old landlord and Protestant ascendancy, will always be found on the side of stability. But the people as a whole are becoming increasingly interested in those serious economic problems on which the future of the country really depends.

One of these problems which has recently engaged widespread attention is the future of the Irish flour-milling industry. The question of whether this industry is to remain under Irish control has been raised in an urgent manner through the acquisition by an English combine of several southern mills which produce about 30 per cent. of the flour manufactured in the Free State. There are about 36 flour-milling firms in the Free State, and they manufacture 50 per cent. of the flour consumed here, but their plant and machinery are capable of producing about 80 per cent. of our total requirements if working at full capacity. Of the 50 per cent. of flour at present imported about two-thirds comes from Great Britain, and is often dumped at less than the cost of production, representing per ton a loss of 24s. in wages to

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Irish workers. The surviving Irish millers are now faced with the alternative of arriving at some agreement with the British Millers' Mutual Association involving the extension of their rationalisation schemes to this country, or persuading the Free State Government to undertake the national control of the flour-milling industry. A scheme of the latter kind has already been formulated and submitted to Mr. McGilligan, the Minister for Industry and Commerce. This scheme provides for the setting up of a permanent flour commission which would license and control the existing flour mills and which would also determine and license the importation of flour and the use of home-grown wheat, and it provides for the control of prices as well as the prevention of the sale of existing Irish mills to foreign firms. The Government, which is naturally anxious to do nothing which will alarm foreign industrialists like Mr. Ford, and which is beginning to realise the danger of excessive tariffs, as is shown by its recent participation in the Geneva Tariff Truce Conference, will naturally approach this proposal with considerable caution, but it must be conceded that, whilst State interference in such matters is generally undesirable, a very good case can be made out for such action in the matter of a vital food which, in Ireland at all events, is the principal and sometimes virtually the only food of the people. In time of war or other scarcity it would not be desirable or possible that the price and size of our loaf should be fixed in London. It is upon these grounds, and upon these grounds only, that government action of the kind suggested is probable or desirable. In any event the rationalisation of our flour-milling industry, whether from within or without, cannot be much longer delayed. It is also interesting to note that our most ardent protectionists have had to admit that protection of this industry, which they were clamouring for a few months ago, would probably only have hastened the foreign invasion which they are now seeking to prevent.

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Another politico-economic question, which may be called a hardy annual, has been raised by the recent protest of the Irish Live Stock Exporters' and Traders' Association against the monopoly which exists in cross-channel transport and which, it is alleged, is operated to the serious detriment of Irish exporters. If the English shipping combine, which at present controls the situation, is making the large profits alleged, then it should be possible either to induce some other foreign shipping firm to take a hand in the game, and so provide competitive rates, or else it should be profitable to inaugurate an Irish cross-channel service with the same object. So far neither step has been taken, nor does there seem much possibility that either will be. We are only too familiar with hot air protests and resolutions of this kind, which are never followed by action. If the Irish cattle trade is really in earnest it ought to be able to find the considerable amount of money necessary to finance such a project, and this would be the only effective answer to the existing monopoly, but it would be well advised not to embark on such a venture until it has more carefully analysed the risks involved, and obtained the best expert advice.

Larger and more important questions affecting the development of our shipping and our general position in the British Commonwealth were debated in the Dail when it discussed and approved the report of the recent London Conference on the operation of Dominion legislation and merchant shipping legislation. On the whole, Mr. McGilligan, our Minister for External Affairs, who represented the Free State at the Conference, could rightly claim that it had taken up the principles established at the Imperial Conference of 1926 and applied them in detail, and that any anomalies which may hereafter appear will be similarly dealt with.* The change which is gradually coming in our Government's mental attitude towards the Commonwealth may be seen by his request that the deputies should bear in mind the value of the Common-

* We propose to discuss this report in September.—EDITOR.

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wealth association to the Free State and consider how these advantages might be increased by some better degree of co-operation with the different units of which it consists. The Free State Government is now clearly satisfied that our best interests demand the full acceptance of our free and equal position in the Commonwealth partnership and our recognition of the King as its sovereign head. This common allegiance to the Crown is expressly recognised by that portion of the report which provides that no alteration touching the succession to the throne or the royal style and title shall be made in the future without the assent of all the Commonwealth Parliaments. Our Government fully realises that the King is the keystone of the Commonwealth arch and it has no desire in any way to alter the existing position in this regard, but it maintains that Ireland is a sovereign State of which the Crown is the highest organ, juristically in no way identical with that of Great Britain or any other Dominion. Is it not time that the implications of this sovereignty were fully recognised and the Dominions Office transformed into a Secretariat of the British League of Nations with representatives in every Dominion capital? The only matter in which the Irish delegates were not successful at the Conference was in respect of the Colonial Stock Act* which empowers the Government of Great Britain to make regulations governing the admission of Dominion stocks to the list of trustee securities in the United Kingdom. One of the conditions prescribed by the Treasury was that any Dominion Government desiring this privilege should place on record a formal expression of opinion that any Dominion legislation which might alter the provisions of the stock to the injury of the stockholders or which involved a departure from the original contract in regard to the stock might properly be disallowed. The report agrees that when a Dominion Government has complied with this condition the right of disallowance in respect of such legislation must remain

* See THE ROUND TABLE, No. 77, December 1929, p. 133.

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and can properly be exercised. Nobody can deny or question the right of the British Government to make any conditions it thinks fit in this regard, but they will undoubtedly prevent the Free State Government, for political reasons, from borrowing on the London market, and Mr. Blythe's new loan, which is now overdue, will most probably be raised in the Free State. This is all to the good because the more shareholders we have in Ireland the greater will be our political stability.

In introducing the motion in the Dail to approve the declaration made at Geneva in regard to the signing of the Optional Clause by the Free State Mr. McGilligan dealt with another aspect of our external affairs and our relationship with Great Britain. He stated that the Government recognised the relationship established by the Treaty and in determining disputes between the Free State and Great Britain they would try the ordinary methods of negotiation to see if they could be settled. The matter in dispute might be a matter of Commonwealth importance as opposed to one of importance only to themselves and Great Britain, and they might have some sort of Commonwealth conference on it, but in no event could they rule out the possibility of appeal to the International Court, or suffer the right of recourse to that Court to be removed from them, but normally they recognised the particular relationship between members of the Commonwealth, and they would try to hammer out an agreement among themselves. For these reasons they had signed the Optional Clause without reservations, but they would exhaust every other means of securing a pacific settlement before going to the Court. The ensuing discussion proved that it is common ground with all parties in the Dail that the League of Nations has possibilities which no intelligent Irishman can afford to ignore. Another aspect of the League's activities has been brought home to us by the recent visit of Princess Gabrielle Radziwill, who is a member of the Information Section of the League Secretariat, and who has been describing the

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League's activities to various popular societies and seeking to enlist the support of our educational authorities on its behalf. Such visits not only remind us in a very necessary way of the League's existence, but renew our contact with Europe. Even Fianna Fail is beginning to realise that Geneva may prove a convenient method of escape from its own difficulties if and when it becomes the Government of the Free State.

The only purely domestic Bill which is likely to give the Government much trouble during this session is the Greater Dublin Bill recently introduced which deals with the future local government of Dublin and which follows in the main the Cork City Management Act of last year.* The Lord Mayor and Corporation, which the Government suppressed some years ago, replacing them by three paid Commissioners, are to be restored. The new Council will be much smaller than the old, consisting of only 25 members. There will also be a City Manager who will have sole control of administration. The first City Manager will be the present Town Clerk, but in future he will be appointed by the Local Appointments Commissioners, the body which now makes all important local government appointments under a competitive system. The area of the city is to be extended by including the urban districts of Pembroke, Rathmines and Rathgar, and a separate coastal borough is to be set up for the Kingstown (now Dunleary) area. A novel feature of the Bill is the reservation of four seats on the Council for commercial members to be elected on a special property franchise. The Bill has of course given Fianna Fail and Labour a good opening for the usual claptrap about democratic control, which shows a noble disregard for all variations in the object of their enthusiasm—democracy—and complete ignorance concerning the necessity for expert control over the complications of modern municipal management. The days when forty worthy municipal councillors could spend an

* See THE ROUND TABLE, No. 75, June 1929, p. 608.

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hour discussing the location of an electric lamp or the appointment of a crossing-sweeper have, it is to be hoped, gone for ever. A touch of unconscious humour has been added to the proceedings of the session through the fact that the Fianna Fail party has introduced three Bills dealing with legitimacy, the age of consent, and money-lenders, all of which were found on examination to be mere verbatim copies of like English measures, and one of which contains a reference to "His Britannic Majesty"! Mr. Jasper Wolfe, the witty Independent deputy, suggested that the money-lenders, like the lawyers, should be compelled to show their proficiency in the national language before being permitted to practise.

The decision of the Judicial Committee of the Privy Council in the case of the Performing Right Society *v.* the Bray Urban District Council* has remedied the unjust position created by the Free State Copyright Preservation Act of 1929 which, whilst reversing the decision of the Free State Supreme Court, mulcted the Performing Right Society in costs. The Judicial Committee has very properly discharged so much of the Supreme Court's order as made the Performing Right Society liable for the Bray Council's costs. In regard to the merits of the case the Judicial Committee, whilst holding that the judgment of the Supreme Court was wrong, recognises that the effect of the Copyright Preservation Act is to estop the Performing Right Society from any redress. Without that saving Act the society would have been clearly entitled to an absolute verdict. It is to be hoped that this unsatisfactory state of affairs will be dealt with by the Imperial Conference, at which the Free State Government will have ample opportunity of formulating its objections to the exercise of what is, now at all events, a clearly defined right under the Treaty.

Mr. Blythe's seventh budget contains no surprises, and only three trifling changes in taxation, which do not affect

* See THE ROUND TABLE, No. 78, March 1930, p. 366.

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the general taxpayer. Duty on wines containing 25 per cent. of proof spirit or less is to be reduced from 5s. to 3s. per gallon, a duty of £10 a year is to be imposed on traders who hawk goods from motor cars, and the road tax in the case of motor cars over five years old will be subject to a rebate of twenty-five per cent. The reduction in the wine duty is a concession to France in return for a commercial treaty. Our income tax remains at the standard rate of 3s. in the pound, as Mr. Blythe believes that, over a period of years, enterprise and productivity will be stimulated by the maintenance of income tax at a low level, and that lower income tax may induce people of Irish origin to return to this country. He has refused also to levy a duty on petrol pending the report of the Commission set up to inquire into the feasibility of derating. Last year showed a normal surplus of about a quarter of a million, the tax yield showing a substantial increase in beer duty, betting tax, and entertainment tax, the last as a result of the "talking" films. Mr. Blythe estimates revenue for the coming year at £24,237,000 and expenditure at £24,224,000, leaving a surplus of £13,000. No effective remission of existing taxation is therefore possible. He pointed out that our net national debt does not exceed £20,250,000, which is less than a single year's revenue, and even that debt will be wiped out, under the existing sinking fund arrangement, in fifteen years. He may therefore launch his new loan without apology and raise it without difficulty. In concluding his speech he said that although the improvement in the country's economic health is very gradual, it is unbroken, and that whilst we cannot afford to slacken our efforts we can afford to rid our minds of anxiety. For these excellent results his own cautious financial policy is largely responsible.

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II. ECONOMIC AND GENERAL

The trade returns for the year 1929 show that our general economic position continues to improve steadily. The total volume of trade represented £107,349,000, or £3,451,000 more than in 1928. Imports came to £60,221,000, an increase of £1,846,000; and exports (including £1,066,000 re-exports) to £47,128,000, an increase of £1,605,000. The adverse balance of trade stands at £13,093,000, or £241,000 more than in 1928, but it must be remembered that the imports include £2,163,650 worth of machinery, principally to the Ford factory at Cork, and the products of this machinery will figure largely in our exports for this year. The apparent increase in the adverse trade balance is therefore really a matter for congratulation. Already last year the export of tractors from this factory was represented by the substantial figure of £1,807,277, and this is only a beginning. Sir Percival Perry, the Chairman of the Ford Motor Company of England, has borne public testimony to the satisfactory progress of the Cork plant and the excellence of the work done by our Irish workmen. Great Britain and Northern Ireland remain our best customers with imports of £60,221,422 and exports of £46,061,657, both considerably better than the previous year. Among the other countries which trade with the Free State the United States of America comes first with imports of £2,440,709 and exports of £21,644. Germany is the second largest trader with us, and next come France and Australia, with Belgium and Holland not far behind. Our exports to Italy, Denmark, Russia, Egypt and Sweden have all increased considerably and suddenly, probably owing to the export of tractors to these countries, for the Cork factory is now the only Ford tractor plant in the world. Cattle, as usual, head the list of our exports, and all forms of agricultural

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live stock show increases. Increased imports of electrical goods show the result of the Shannon power development. In spite of the tariff, we imported 14,942 more pairs of boots, but the value of the import decreased by £43,869. The increased prosperity of the country is reflected in the import of touring motor cars to the value of £1,174,142, or £396,675 more than the previous year. These figures do not indeed stand alone as an index of our economic progress, for emigration is also steadily dropping. In 1925 the number of people who emigrated from the Free State was 30,180; in 1929 the number was only 18,035.

The census of agricultural production for 1926-27, recently issued, shows that the output of our agriculture in that year is estimated at £64,757,000. Of this output more than one-third was consumed by our agricultural population, one-sixth by our non-agricultural population, and 44 per cent. was exported. Each Free State non-agriculturist, therefore, consumed on the average £10 per annum, and each person in Great Britain and Northern Ireland consumed 13s. per annum of Free State agricultural produce. These figures, whilst they indicate the importance of the British market, also prove the vital importance to Irish agriculture of an increased town population at home. The export market is two and a half times as valuable as the home market, but the average town dweller in the Free State is an incomparably better customer of our farmers than the townsman in Great Britain. Whether measured per person or per acre, however, the output of agriculture is considerably less in the Free State than in Great Britain or Denmark. It was only £96 per worker in the Free State, as compared with £104 in Northern Ireland, £169 in England and Wales, £184 in Scotland, and about £196 in Denmark. It is here that we have ample scope to improve our position, and not much to be proud of. The cost of living here is also higher than in Great Britain or Northern Ireland. Our index figure for January was 179, while that for Great Britain and Northern Ireland was 166. Senator

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Johnson in an argument for increased protection here has recently quoted Denmark, a country with a larger total population and a much larger manufacturing population, as showing the importance to agriculture of an extension of our manufacturing industries, which no one disputes. But Denmark is really a living contradiction to all that the extreme protectionist holds dear, because in Denmark there are no tariffs on agriculture, a high percentage of her agricultural produce goes to one country, and her tariffs on the imports of manufactured goods are lower than ours. The foundation of Denmark's wealth is agriculture, out of which manufactures gradually developed with little assistance from tariffs. If our agriculture were developed as intensively as that of Denmark we could have a population of over 5,000,000—no mean objective, and one we can easily attain.

The latest volume of the census of population for 1926, which deals with ages and conjugal conditions, reveals some of the reasons for the smallness of our present population, the most astounding being the fact that from the ages of 25 to 30 no less than 80 per cent. of our men and 62 per cent. of our women are unmarried. These figures are unparalleled in the world, and the only European country nearly resembling the Free State in this respect is Sweden. Moreover, this reluctance to marry has been steadily increasing since 1841, and is greater in the rural areas than in the towns. The most probable explanation is the caution and frugality of the small farmer, and the fact that the figures for Sweden and Finland most nearly resemble ours suggests that climate and economic conditions have more to do with the question than religion. The Catholic religion in fact encourages early marriages and fertility. The latter fact is proved by the Free State statistics, which show that, though marriages are late and few, the fertility is very high. The ratio of children under five years of age to the number of married women under 45 is in fact much the highest in Europe. The net result of this high fertility and late

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marriage is to leave the Free State with a normal proportion of children, and thus out of two abnormal conditions we achieve normality—a not unusual Irish result.

The annual report on prisons for the year 1928, recently published, proves that the improvement in our national condition is not entirely economic. In 1924 there were 134 prisoners undergoing sentences of penal servitude, and in 1928 only 68. Other classes of prisoners also show a decrease. In 1878 the total number of ordinary and convict prisoners in all the Irish prisons was approximately 74 per 100,000 of population, and in 1928 25. A large part of this decrease is, of course, due to the Probation of Offenders Acts and humane legislation of a like kind. Progress of another kind is indicated in the report of the Irish Land Commission for 1928-29, which contains an admirable history of the great revolution in our land tenure that has made Ireland a nation of peasant proprietors, which should be invaluable to foreign students. The statistics of what has been achieved in recent years make impressive reading. Up to the end of March 1929, 20,770 holdings, comprising 744,513 acres, were provisionally gazetted under the Land Acts of 1923-29, which completed the purchase of the land for the tenants by compulsory legislation, and of these 6,779 holdings, comprising an area of 266,758 acres, and representing a sum in purchase money of £2,503,295, were vested. In addition, 358,000 acres of untenanted land were acquired and divided during the last six years. The sum of £3,219,679 was collected during the year from the farmers on account of land purchase annuities, leaving an arrear of £413,521 due on March 31, which on July 31 had been reduced to £292,793. The returns of general and local taxation are also interesting. They show that the three most important taxes in the Free State are, in order, customs, excise, and rates—all over six millions, with income tax a bad fourth. Roughly speaking, the position is that revenue is derived as follows—
from spirits, beer and tobacco, £10,000,000 ; local rates,

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£6,000,000; income tax, £4,000,000; minor taxes, £5,000,000; total, £25,000,000. Farmers' income tax comes to only £75,000, just sufficient to pay for our reformatories. Old age pensions, a legacy we inherited from the United Kingdom's expensive social legislation, absorb the enormous sum of £2,500,000. Without them we could reduce our income tax to 7d. in the pound. The entire amount spent on poor relief comes to £1,300,000, not much more than half the amount spent on old age pensions—surely a disproportion. Local government costs £9,000,000 per annum. The rateable valuation of the Free State is £11,000,000, but only 69 per cent. of the local expenditure is raised locally; 31 per cent. is contributed by the national exchequer.

After many months' delay the Minister for Justice has at last found five just men to undertake the censorship* of our reading. It is evident that it has not been altogether easy to secure five people who believe themselves competent to direct our literary taste and morals, both individually and collectively. Of those selected the Very Reverend Father Boylan, Vice-President of Maynooth College, and Professor Thrift of Trinity College are distinguished scholars; the remainder are comparatively unknown. If they exercise their functions sensibly they will earn the inevitable abuse of our fanatics, and if they do not their mandates will be sterile and ignored. So far, there has been no fruit of their labours. It is pleasant to record that at least one Catholic clergyman of repute, the Reverend A. Gwynn, S.J., a son of Mr. Stephen Gwynn, has had the courage to denounce the vile mushroom journals which have recently multiplied in Ireland, and which, under the cloak of Catholicism, seek to inculcate the worst kind of sectarian hatred in terms of personal abuse. Here indeed might our new censors find subjects for their prohibitions if they seek to inculcate Christian charity as well as to destroy malice, hatred, envy and ill will. But the word "immorality" in

* See THE ROUND TABLE, No. 75, June 1929, p. 607.

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Ireland, unfortunately, only means sexual irregularity. It is sad to reflect that in a country where such papers can flourish the *Irish Statesman*, our only weekly review of international repute, has had to cease publication for lack of even moderate support. But its editor, Mr. George Russell, better known as "Æ," can retire to a well-earned rest with the certain knowledge that no other paper and no other pen has done so much to build up the new Irish State and to direct its march along the path of well-ordered liberty and sound progress.

The Irish Free State.

May 1930.

CANADA

I. THE GRAIN MARKET CRISIS

SINCE the beginning of the present century the wheat crop of the prairie provinces has been the greatest single factor in the national economy of Canada, but never has its importance been brought into such high relief as in the last six months, during which the situation in relation to its marketing has occupied the attention of the whole country above any other question. This situation had its origin in a price war which developed, as the crop of 1930 was coming on to the market, between the controllers of Canadian wheat and the European importers who have always been their chief customers. On the one side the chief protagonists were the Co-operative Wheat Pools of the three western provinces, which, with a membership of about 140,000 farmers, control about 55 per cent. of the western crop and market it through a central selling agency. Most of the large private firms engaged in the grain trade in Winnipeg, however, adopted exactly the same line of action as the pools, and it is understood that only one important firm took a contrary line of its own. On the other side the leading actors were the group of experienced grain merchants who operate on the Liverpool Corn Exchange.

As a consequence of her bumper crop of 1928, Canada began the new crop year, on August 1, 1929, with an abnormally large carry-over of wheat amounting to 109,033,039 bushels; how much larger it was than the average carry-over can be gleaned from the following figures, compiled from the weekly report of the Board of Grain Commissioners.

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End of July.	Bushels of grain in store.
1924	31,852,871
1925	21,505,981
1926	30,761,214
1927	42,671,483
1928	70,879,439
1929	109,033,039

There also happened to be a very large carry-over both in the United States and in Argentina, and owing to the general glut of wheat on this continent prices had fallen in May to about \$1.04 on the basis of Number 1 Northern at Fort William, which will be taken as the index for all price quotations. But, as the month of July passed, it became clear that a very severe drought was taking a heavy toll of the western Canadian wheat crop of 1929, and an upward movement of prices began. It proceeded very rapidly until, when the price was above \$1.50, the European buyers declined to respond by buying. They withdrew from the Canadian market, and proceeded to secure such supplies as they needed from Argentina, which, like Canada, had enjoyed a bumper crop in 1928 and had a huge exportable surplus to dispose of. About the end of August the shortage of the western wheat crop was definitely established, and the estimates then current did not materially differ from the final figure now compiled by the Dominion Bureau of Statistics, which places the wheat yield for 1929 at 299,520,000 bushels, as compared with 566,726,000 in 1928, and a five-year average (1924-1928) of 422,219,740. It was about the end of September that the wheat pools and their allies in Winnipeg decided to embark upon a deliberate policy of holding their wheat until they could secure what they regarded as an adequate price. They took the view that, if they marketed their carry-over for 1928 and the new crop freely at a time when Argentina was unloading the balance of her surplus upon world markets, the bottom would be knocked out of the market and the western farmers, in view of the poor average yield, would get a miserably small return for their labours.

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Animated by the belief that the Argentine and Australian crops were very poor, they calculated that the condition of world supplies pointed to an eventual rise in prices, and they also contended that the excellent quality of the last western crop, which had graded uniformly high and shown a remarkably good protein content, justified a special premium price. So the Winnipeg price was maintained at a level well above what was being asked by Argentine and American exporters, and, as a consequence, the outflow of Canadian wheat during the autumn months when it is usually a copious stream shrank to a mere trickle.

But the importers at Liverpool and in other markets are a resourceful and obdurate breed of traders. They firmly declined to pay the price asked by the Canadian holders of wheat, and proceeded to satisfy their needs from other sources of supply. They secured a considerable quantity of wheat from the United States, but for some months the chief reservoir upon which they drew was the Argentine surplus, which proved much larger than anybody had ever imagined ; as a result during the last four months of 1929 the position of Argentina and Canada as sources of supply for British grain imports was virtually reversed as compared with the equivalent period of the previous year. It also happened that the grain crops on the continent of Europe were exceptionally good, both in quantity and quality, and it proved possible to secure supplies of wheat from Germany, France and elsewhere. Furthermore, as a result of the drought, most of Europe's wheat was much harder than usual, and it was possible for British millers to dispense with Canadian wheat, the exceptional hardness of which usually causes a good demand for it for blending purposes.

Despite the European abstention from the Canadian market, however, the price of wheat mounted steadily in Winnipeg until, about the middle of October, it reached a peak of about \$1.79. At this time the Canadian holders were absolutely confident as to the ultimate success of their policy ; they did not anticipate any actual results before

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the end of 1929, but they were quite convinced that the first month of 1930 would find other export supplies on the eve of exhaustion, and European buyers compelled to resort to the Canadian market and to pay the price demanded there. But, when January arrived and no European buying on anything but a very modest scale materialised in the Winnipeg market, some disquietude began to be felt in grain trade circles, and this gradually grew into acute anxiety. Enormous stocks of wheat, amounting to over 230,000,000 bushels, had piled up in Canada, and it became clear that the disposal of them before the new crop came upon the market was going to be a very difficult problem. So in the absence of a good buying demand prices tumbled sharply, and by the end of January they had fallen to \$1.30. As the decline proceeded the Canadian banks, which had advanced enormous sums to the pools and to private grain firms, began to show nervousness as to the margin of security for their loans, and in the early days of February a real crisis emerged. It was probably hastened by the financial difficulties of an important grain firm, the Electric Grain and Elevator Company, which later went into liquidation. It was discovered that this firm, when pressed for more security by a lending bank, had pledged a substantial quantity of grain which did not belong to it, but was held in storage in its elevators in trust for farmers and milling interests. The bank proceeded to seize this grain, and when the owners discovered this fact, their protests resulted in the Board of Grain Commissioners impounding all the wheat in the embarrassed company's possession. News of these developments gradually leaked out, and the apprehension that forced sales would flood the market with grain and depress prices produced as acute a crisis as the Winnipeg grain market has ever known. Negotiations at once took place between the banks which were heavily involved and the provincial Governments of the three prairie provinces, and on February 6 the Canadian public got its first intimation of the crisis through a Press

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announcement that the three prairie Governments had agreed to guarantee the loans made by the banks to the wheat pools. It was a drastic and unprecedented step, which only a serious crisis could have justified; and it was felt to be necessary that the three provincial Premiers, several members of the Federal Government and the President of the Canadian Bankers' Association should all issue reassuring statements to the effect that nothing was seriously amiss, that no financial *débâcle* such as one Toronto paper foreboded need be feared, and that the guarantee was a proper step to protect the legitimate interests of the western farmer. But this did not immediately stop the downward trend of prices, as is illustrated by the following quotations on the Winnipeg Grain Exchange:

1930				Price of May Wheat
				Futures
January 2	..	..	..	\$1.47 $\frac{7}{8}$
February 1	..	..	..	1.29 $\frac{1}{2}$
March 1	..	..	..	1.15 $\frac{1}{2}$

Meanwhile the consequences of the grain blockade had manifested themselves in different directions. Grain forms a very large proportion of Canada's exports, and the subjoined table shows the decrease in "grain and grain products" for 1929:

Exports of Grain Products (000's omitted).					
			1928	1929	Decrease
			\$	\$	\$
Barley	..	..	26,584	12,197	14,387
Flax Seed	..	..	5,595	1,870	3,719
Oats	..	..	10,335	4,961	5,375
Rye	..	..	11,350	1,956	9,395
Wheat	..	..	433,768	249,347	184,420
Wheat Flour	..	..	63,973	52,749	11,224
Total	..	..	551,606	323,086	228,520

The exports of "all other commodities" rose by 61 million dollars, but as a consequence of the diminished outflow of grain the domestic exports of Canada, valued at \$1,186,412,313, showed an aggregate decline of roughly

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187½ million dollars, compared with the figure for the previous year. And since the value of imports had risen by 76½ million dollars, the favourable balance of trade, amounting to 152 million dollars in 1928, was transformed into an adverse balance of 90½ million dollars. This transformation had an adverse effect upon Canadian exchanges abroad, and when the *Toronto Mail and Empire* backed the allegation made by certain American and British papers that Canada was no longer on a gold basis, because the gold stocks in the Treasury in December were at least 20 per cent. below the statutory requirements, the semi-official denials which were issued carried little conviction.

Furthermore, all the transportation interests, both land and water, had to face a heavy decline in traffic and earnings as the result of the decreased movement of grain. The shipping companies operating both on the St. Lawrence route and the inland waterways have never had a less prosperous year, and grain exports from the port of Montreal fell from 211 to 90 million bushels. A heavy inroad was made on the net revenues of the two great railway systems, and they were forced to resort to rigid retrenchments and a curtailment of their working personnel, which materially aggravated the winter unemployment problem. Again, millions of dollars of bank funds were tied up in the unsold wheat, and a strain, though probably never a dangerous one, was placed upon the credit resources of the nation. Eastern manufacturers, too, and merchants who catered for the prairie trade, found that the normal stream of winter orders had undergone an ominous shrinkage, and industrial operations had to be curtailed by many firms, particularly by the farm implement and motor plants. Consequently, trenchant criticisms of the pools and their grain-holding policy began to be heard in many quarters. They were accused of having indulged in a dangerous gamble, whose lack of success had brought confusion and trouble to the whole economic life of the country. Opposition papers also attempted to saddle the Dominion Ministry with some

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measure of responsibility for the situation, on the ground that Mr. E. B. Ramsay, the Chairman of the Board of Grain Commissioners, who is the Government's chief grain official, had twice issued statements to the effect that the policy of holding grain was wise and sound, inasmuch as it was the only means of averting a serious slump in grain prices and an unfortunate decline in the purchasing power and standard of living of the prairie farmers, and that at least two members of the Ministry had in addition given the policy their benediction in public speeches. The pool officials were acutely conscious that their marketing policy needed some justification, and they offered at intervals an elaborate defence of it. Moreover, at the close of the year three leading officials of the pools visited Britain to hold conferences with Mr. J. H. Thomas about ways and means for stimulating a reciprocal trade exchange of Canadian wheat for British goods, such as coal and cotton, and they also took the opportunity of discussing the situation with a number of British grain importers without producing any immediate results. Mr. Thomas claims that at this time, when wheat was still selling at above \$1.40, he strongly counselled the pool officials to sell as much as possible of their holdings, and that his advice was unwisely spurned, but the pool officials retort that they were always willing to sell at the market price for the superior type of wheat which they had to dispose of, but could get few buyers. They have been charged with exceeding the bounds of their own mission—which was to ensure the orderly marketing of Canadian wheat and to bridge seasonal fluctuations—by attempting price-fixing operations in an international market. On the other hand, it has been urged that the latter was a necessary part of marketing in a year of abnormal conditions. This is for the present a moot point.

The situation remained acute until the closing days of March when the gradual exhaustion of supplies from Argentina and Australia and news of a serious drought in

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the south-western areas of the United States caused prices to move sharply upward until, at the time of writing, May wheat is selling in Winnipeg at about \$1.17. The impression is that there will be no serious recession from this price, and that it may go considerably higher; the three provincial Governments, which gave their guarantees to the banks, are therefore breathing sighs of deep relief. But there were still about 198 million bushels of wheat held in stock in Canada and the United States at the end of March, and, although the buying demand from Europe has lately shown its first real vigour for nearly a year, there is little expectation that the European market will be able to absorb more than five million bushels of Canadian wheat a week before July 1 when the new wheat crops of various countries will begin to be available. Accordingly there is every prospect that Canada will enter the next crop year in August with a carry-over substantially in excess of the 109 million bushels carried over into the present year. Now it was the heavy carry-over from the crop year of 1928-29 which bears the main responsibility for recent low wheat prices, and its persistence in an aggravated form is not regarded as a favourable factor by the western grain-grower.

The belief, indeed, is strongly held by many grain experts that in recent years there has been a stimulation of wheat production all over the world to a point at which the supply is substantially in excess of the demand. The following table of world production taken from the January issue of "Wheat Studies," published by the Food Research Institute of Leland Stanford University in California, tells its own story:—

	(Million bushels.)						
	United States.	Canada.	Europe.*	India.	Argen- tina.	Aus- tralia.	World.*
1909-13†	690	197	1,347	352	147	90	3,004
1924-28†	848	433	1,267	329	247	144	3,475
1928	930	567	1,408	291	340	160	3,915
1929	807	294	1,411	318	200	112	3,380
	* Excluding Russia.				† Average.		

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These figures show that although last year saw a marked decline in the aggregate wheat yield of the world, it was still almost equal to the average yield of the five-year period 1924-28, and there had been no expansion in consumption which could absorb the excess supplies provided by the exceptionally good crops of 1928. It is also clear that this marked increase in world production was due largely to an actual increase in the world acreage sown in wheat, as is shown by the following figures :—

	Acres.				
	Canada.	Argentina.	Australia.	India.	Italy.
1924-25	22,205,571	17,793,100	10,824,966	—	—
1928-29	24,199,140	20,900,000	14,812,264	—	—
Increase	1,993,569	3,106,900	3,987,298	1,000,000	1,000,000

Small increases in various other European countries besides Italy have to be added, and the total increment in a period of five years cannot be far short of 12 million acres.

It is being argued, therefore, that the only means which will restore the proper equilibrium between supply and demand and raise wheat prices to a level capable of giving adequate returns to the grower is a general reduction of the acreage planted in wheat in the exporting countries. An effort in this direction is being made by the Federal Farm Board in the United States, and it has been suggested that the western provincial Governments or the wheat pools should take similar action in Canada. But, as it happens, nature may accomplish this result without the aid of any propaganda. The drought which had such disastrous effects upon western Canada's grain crop last summer was prolonged into the autumn and the prairies entered the winter with their soil in an abnormally dry condition. As a consequence, the farmers did much less autumn ploughing than usual, and they would have considerable leeway to make up this spring. But now that cultivation has begun on the prairies the soil is found to be still

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ominously dry, and it has been proved by past experience that an autumn drought has invariably had the sequel of a poor yield in the following harvest. It is rarely profitable to sow grain on stubble ground which is merely harrowed if the subsoil is dry, so it is predicted that many farmers will content themselves with such wheat acreage as they can actually break, and that a reduction of the aggregate area sown in wheat will automatically be brought to pass this year. The grain experts are, accordingly, not looking for any large crop from the Canadian prairies for 1930, and, unless other wheat-producing countries have been specially favoured by providence, the readjustment of supply to demand, which is so much desired, may be accomplished. It is now taken for granted that the co-operative wheat pools will survive the serious crisis in which they have lately been involved, but it is also clear that their troubles are by no means at an end. They have not made the final payment which their members expected for the crop of 1928, and they have paid nothing on the crop of 1929 but the initial payment on the basis of \$1 per bushel. In all the previous years of their existence they have made at least two or three later payments after the first, and naturally many pool members have been greatly disappointed that no more money has been forthcoming. Moreover, non-pool farmers who sold their wheat for cash last autumn and got anything between \$1.20 and \$1.50 for it would be more than human if they did not pride themselves upon their superior discernment in abstaining from any participation in the pool scheme. The numerous critics of the pool are also missing no opportunity of pointing a moral and adorning a tale in order to weaken the allegiance of pool members. So far the latter have shown a remarkable loyalty to the institution which they have created, and at agrarian gatherings there has been practically no vocal criticism of the pool officials and their actions.

The real testing time, however, is likely to come when

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the wheat crop of 1930 is ready for market. The banks, which provided the pools with the necessary financial support for carrying wheat, have had a somewhat nerve-racking experience since the present year began, and their directors and managers will naturally be determined to avoid any possibility of its recurrence. So it is unlikely that they will agree to advance as much as a dollar per bushel this year on such security as the pools themselves can offer. But, if the banks will only advance 60 or 75 cents per bushel, the pools obviously cannot offer their members a first payment greater than this sum. Now, in the event of the pools only being able to offer 75 cents as first payment, a great temptation will confront many of their members. They will be filled with fears that little or nothing may be forthcoming from the pools for their wheat, and, if wheat is selling at \$1.20 per bushel, they will know that this sum could be secured if it were possible to sell to a private grain firm or elevator company. Thus, the "bootlegging" of wheat, which has already caused considerable trouble to the pool officials, might attain very large dimensions and seriously diminish the volume of grain which the pools would handle. In a land of wide spaces and sparse settlement it would be a simple matter in the dark of an autumn night for a pool member to convey a substantial proportion of his wheat crop to the granaries of some kinsman or friendly neighbour who is not a member of the pool, and to enlist his services as selling agent in return for a small commission. Detection of such "bootlegging" would be extraordinarily difficult, and, if the practice became common, it would be virtually impossible for the pool officials to institute a wholesale *battue* of prosecutions against the offenders. In short, if circumstances gave great encouragement to the "bootlegging" of grain, it would be almost more difficult to stop than the "bootlegging" of whisky, the suppression of which in the United States has defied a vast army of prohibition agents.

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For these reasons the pools, if they hope to survive, must be in a position to guarantee their members a first payment relatively as high in proportion to the current value of wheat as they have been able to offer in previous years. Now it seems probable that in order to do this they have two alternatives before them. They might induce the three provincial Governments to continue indefinitely the guarantees which they furnished to the banks in the recent emergency. But obviously these Governments would not agree to become permanent sleeping partners of the pools unless they were given some control over their administration and marketing policies, and the pools would find themselves landed in the maelstrom of politics, a fate which they have always professed great anxiety to avoid. The other alternative is to secure a guarantee of a fixed price for wheat from either the provincial or the federal Governments, and it is said that many leaders of the pool movement would prefer this course, as it would leave them in full control of their own machinery and policy. Moreover, the idea of a guaranteed price for wheat has received a stimulus from the news that the Australian wheat pools have secured this very favour, and it will gain a further impetus if Mr. Philip Snowden in his budget guarantees a minimum price for wheat to the British farmer.*

Indeed, to-day economic and fiscal developments in Britain are being followed by the farmer of western Canada with the keenest attention. He is deeply interested in the project sponsored by Mr. E. F. Wise and others for a Grain Import Board, which would buy all the overseas supplies of wheat necessary to supplement the domestic crop, and there is considerable speculation as to what would be the effect of the establishment of such a board

* An article on the British Budget will be found on page 474. The Budget contains no such guarantee, but it has been stated in the Labour press that an agricultural marketing Bill is to be introduced which will deal with the question (see *The Daily Herald*, March 27).

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upon the marketing of Canada's wheat. The idea of a compulsory pool has many supporters in the Canadian West, who argue that, without a plan of compulsion which would bring every grain-grower into the pool, the full benefits of the system cannot be realised. Sentiment in favour of compulsory pooling has been making steady headway in Saskatchewan, the chief grain-growing province, and the delegates at the last annual convention of the Saskatchewan section of the United Farmers of Canada, who had previously frowned upon the project, passed an almost unanimous resolution in favour of it. Lately, too, Mr. Aaron Sapiro, the American co-operative expert, whose eloquence played a large part in the original organisation of the pools, has given it as his opinion that the introduction of the compulsory element is imperative if the pools are not to collapse. Now the emergence of a Grain Import Board in Britain would materially strengthen the hands of the western advocates of a compulsory pool, for they would argue that centralised buying must be met by centralised selling, and that if the pool only controlled part of Canada's wheat it would be seriously handicapped in dealing with the British import board. But Mr. H. W. Wood, the veteran agrarian leader, who is not only president of the Alberta Wheat Pool, but also exercises an almost dictatorial domination over the counsels of the United Farmers of Alberta, remains a resolute opponent of the compulsory idea, and until his opposition is overcome it cannot make much further headway.

Some other consequences of the grain market crisis have to be noted in their relation to Imperial trade. When the crisis was at its height a canard to the effect that British millers and importers had organised a deliberate boycott of Canadian wheat, and that bakery wagons and the windows of a chain of well-known restaurants in London were carrying placards bearing the legend, "We use no Canadian wheat," aroused great indignation in Canada. Proof of its complete falsity was soon forthcoming, but for some time

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considerable resentment lingered on the prairies, and it was accentuated by some vigorous editorial attacks which the *Manitoba Free Press* directed against the activities of what it described as "the British milling trust." But this feeling of indignation has to-day completely disappeared in the West, and it has been replaced by a strong anxiety to cultivate the commercial goodwill of Britain. All hopes have vanished that the Smoot-Hawley tariff now passing through its final stages at Washington will not become law and raise to almost impassable heights the American duties against Canadian farm produce. With the countries of the European continent, too, practically all committed to high protection for their agricultural interests, the realisation has grown apace on the prairies that the retention of the British market is a matter of life and death for the Canadian West.

The terms of the trade agreement which the British trade mission, headed by Lord D'Abernon, concluded with the Government of Argentina have also now received belated publicity in Canada, and its implications are being carefully pondered. What is feared is a disposition on the part of the British Government and British commercial interests to foster closer trade relations with Argentina, which is to-day Canada's most formidable competitor as a source of wheat supplies for Britain, and the feeling is growing that steps must be taken to head off any such rapprochement. Hence the western supporters of the Dominion Government have been strenuously pressing it to undertake a measure of tariff revision the fundamental feature of which will be a substantial increase in the British preferential rates of the customs tariff,* calculated to increase British imports into Canada and, as a consequence, to stimulate the sale of Canadian farm produce in Britain. Moreover, the Government is under suspicion in the West on the ground that its action in raising the "Empire content" requirement of the customs tariff

* See the note at the end of this article.

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from 25 to 50 per cent., which involved considerable damage to Lancashire's export trade in cotton goods to Canada, did not tend to create enthusiasm in Liverpool for purchasing Canadian wheat, and the Independent Progressive group at Ottawa threatens to challenge the Ministry on this point. The feeling prevails that western agricultural interests have once more been sacrificed to protectionist interests in the East, and blunt notice has been served upon the Government that this policy must be reversed. Now the Ministry cannot survive after the next election if it loses many seats on the prairies, and a trade policy which pleases the western farmer is the only means of averting this threatened calamity for Liberalism. Thus, out of the great grain market crisis, which befell us in the winter of 1929-30, may come a notable stimulus to inter-Imperial trade.

II. THE MECHANISATION OF AGRICULTURE IN CANADA

CANADIAN agriculture, particularly the agriculture of the West, is at present passing through a new agrarian revolution, with social and economic effects that ramify widely into the life of the community. It is primarily a revolution in the source of power, and its most evident result is a reduction of the rural, as compared with the urban, population.

The facts of the revolution are easily stated. Steam power transformed the methods of manufacturing in the nineteenth century, but although used to some extent on the farm it made no remarkable advance in agricultural production. The steam engine was too cumbersome, costly and wasteful for farm work, other than the supply of power for a belt, as in the case of the threshing machine. Horses and men continued, through their joint expenditure of energy, to till the soil and reap the harvest. While horse-power is very adaptable and mobile, it can be applied only in units of very limited size. At best a twelve-horse

The Mechanisation of Agriculture in Canada

team is about as large as can be handled comfortably, and two to six horse units are more common because much more convenient. Beyond a certain point, too, horses are expensive, especially where large-scale operations are suspended during the winter. But with the arrival of the internal combustion engine, using gasoline or oil fuel, the situation was revolutionised. The gas tractor is relatively light, adaptable and powerful, as well as economical and simple in operation. In its present form it has been available for only a few years, and within these years on the broad flat stretches of prairie farms its economy has been a decisive factor.

Even in eastern Canada, wherever topography and the size of the farm are suitable, the advantage of the tractor is undoubted. A bulletin of the Federal Department of Agriculture furnishes the following figures, based on the experience of individual farmers, on ploughing costs in eastern Canada :—

Horse-team.	Per acre.	Plough-tractor.	Per acre.
Two	\$3.33	Two	\$1.65
Three	\$3.00	Three	\$1.52
Four	\$2.33		

A man with four horses ploughed on the average three acres per day, while with a three-plough tractor he did twice as much, covering 6.7 acres per day. With economies so real and even more pronounced in the West than in the East, the tractor has come into widespread use on the farms of the plains since the great war. The census of 1921 reported some 47,000 tractors within the Dominion, the majority being in the West. The more recent census of 1926, which includes only the three prairie provinces, gave the number in these provinces alone at 50,000. Auxiliary to the tractor are automobiles and motor trucks, which also demonstrate the value of oil power in saving labour on the farm and promoting the new revolution in agriculture.

Canada

Even more spectacular in its effect than the tractor is the combine, a machine that cuts and threshes the grain in one process. It is not difficult to illustrate its great economy of labour. As recently as the 'fifties of last century the ancient cradle was the principal instrument in cutting the grain crops of North America, necessitating the employment each year of a vast army of harvesters. McCormick's binder came into use during the succeeding decades, and by the 'eighties the automatic reaper and binder had begun its conquest of the wheat fields, with considerable saving in the expenditure of human labour. An expert man with a cradle might cut as much as four acres of grain a day, while one man with a binder could cover from eight to sixteen acres. The next advance in mechanisation was the combine, which as early as the 'nineties of last century was introduced for use in the dry wheat areas of the United States—Oregon, Washington and California—and the similarly dry areas of Australia. Not till after the great war did these combines in any real sense enter the spring wheat territories of western Canada. Indeed, 1925 was the first year in which combines of the modern type made their appearance in considerable numbers. Previous to that date the implement companies had shown so little confidence in the machines as to be diffident about selling them to farmers. The change in opinion since then has been remarkable.

Both practical farmers and government experimentalists are ready to give evidence in favour of the combines. A bulletin of the Federal Department of Agriculture, "Seven Years with the Combine in Western Canada," provides interesting data on their use in the West. It points out that in 1928 there were 4,341 in use throughout the prairie provinces, representing an investment of \$11,000,000 and harvesting each an average of 616 acres, or a total of over two and a half million acres. The costs were estimated on the basis of one machine harvesting 600 acres, each acre yielding twenty bushels, *i.e.* 9½ cents

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per bushel for the whole operation as contrasted with 17½ cents per bushel by the old method of binder followed by thresher, a reduction of almost one half. A difference of eight or nine cents in each bushel of wheat may easily, as many farmers have discovered, transfer the balance to the right side of the ledger. Another way of expressing the economy thus effected is by pointing out that two men with a combine may reap and thresh from thirty to fifty acres of wheat per day.

Conditions do not always permit the direct use of the combine. It is necessary for the most economical use of the machine that the crop should be thoroughly ripe and free from weeds. But the farmer may often run a risk in leaving his grain standing until thoroughly ripe. Storms, early frosts, or the sawfly may inflict irreparable injury before the combine has completed its work. Hence many farmers prefer to use a swather, which first cuts the grain, allowing it to dry out; then in a week or ten days gathers and threshes it like the ordinary combine. In such cases the cost of harvesting is increased, but as the operation is primarily mechanical the relative cost remains low.

The tractor and the combine are the two principal agents in the mechanisation of agriculture, but power machinery in other forms is rapidly extending. The effects of this development are manifold. The most immediate is a reduction in the number of farm labourers needed, a fact that must necessarily influence Canada's immigration requirements. The large army of labourers formerly employed in the harvest fields is now greatly reduced, and the annual excursions of harvesters to the West from eastern Canada and from Europe will soon be obsolete. That this fact must affect the attitude of the Canadian Government towards immigration goes without saying. Future population needs, so far as the development of agriculture is concerned, will be satisfied by only a slight annual addition of new immigrants, even if the settlement of the Peace River valley proceeds rapidly.

Canada

Upon the organisation of agriculture the tendency to mechanisation has far-reaching effects. Emphasis laid upon the advantages of capital equipment must necessarily lead to capitalist farmers, with large farms on parallel lines to the general tendency in other industries. Such results are already evident in the wheat provinces of Saskatchewan and Alberta, where the average farm has increased in size between the census of 1921 and that of 1926 by 22 acres in Saskatchewan and 17 acres in Alberta.

Owing to the more important rôle played by machinery, the peasant immigrant, with little more than a capacity for toil, is not the type who will gain success in Canada's future agriculture; the intelligence that can appreciate and command capital will be increasingly in demand. A further significant result of power-farming is an additional stimulus to the growth of the urban population. With a reduced need for labourers the rural exodus must continue, and the Dominion will rapidly cease to be that rural State which at present to an exaggerated degree it appears to the British people to be. The tractors and combines on western farms are the agencies of this change in the country's economic structure, and anyone who seriously wishes to understand Canadian economic life must in the next decade carefully watch the progress of agricultural mechanisation.

Canada.

April 1930.

NOTE

In the Canadian budget, introduced on May 1, the tariff on British goods was decreased in 270 cases, and only increased in 11. In 589 items out of a total of 1,188 British goods will have free entry into Canada. This represents an extension of preference on imports valued at \$200,000,000 (£40,000,000). It has since been announced that a dissolution is impending, though the dates for that event and the general election had not been fixed at the time this note was written. The revised tariff is expected to be made the principal issue. It will be remembered that the Imperial Conference takes place in the autumn. (See *The Times*, May 2, 8 and 9.)—EDITOR.

AUSTRALIA

I. THE FEDERAL CHRONICLE

The Financial Situation

DURING the quarter under review, Australia's financial situation has been the dominant public interest. The circumstances are in some respects more grave than when the British Economic Mission reported warningly at the end of 1928,* in that wool prices have declined and the wheat harvest of 1929-30 has been a partial failure, and consequently the national income has been smaller. All the Australian Governments, however, have embarked upon the policy of retrenchment in loan expenditure recommended by the Mission. Retrenchment has in fact been forced upon them. Consequently the Australian Loan Council has been exercising a tighter and tighter hold upon loan expenditure ever since May last. During the current financial year a total of £30 millions (as against an average of £43 millions in recent years) was decided on for the Commonwealth and the States. Now it has been agreed to curtail even this amount as far as possible for the remainder of the year. The Council also decided that for the year 1930-1931 loan expenditure shall be further reduced to half what it was in 1928-29.

The shrinkage of our principal exports has contributed very largely to the present acute difficulty in getting funds in London to meet overseas obligations. The Common-

* THE ROUND TABLE, No. 75, June 1929, p. 626.

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wealth Bank has indeed taken prompt steps to make further shipments of gold. A further £7 millions have been exported since January—making £17 millions in all since the financial year began. These shipments have not impaired the Commonwealth Bank's gold reserves against the note issue. But the gold exported will not be available prospectively to create credit for future imports. "The whole movement," said Sir Robert Gibson, chairman of directors of the Commonwealth Bank, "is being directed with the object of meeting accrued or accruing obligations." On every side, in fact, people are being urged to adjust expenditure to a reduced national income, to avoid expenditure on luxuries, and to cut down imports to the minimum. "It is regrettable," said Sir Robert Gibson in the statement just cited, "but unfortunately inevitable, that, for the immediate future at any rate, external trade with Australia must suffer, as it is absolutely necessary that imports of all unnecessary things be reduced to a minimum until the situation is adjusted."* The present exchange rates are operating powerfully in this direction. The official quotation for telegraphic transfers on London is now £6 10s. per cent. premium, and it is understood that business is actually being done at higher rates.

The situation is admittedly serious and embarrassing enough. Nor has the country yet felt the full effects of the retrenchment in loan expenditure. But there does not seem to be any solid justification for the nervousness as to the country's will and ability to meet her obligations, which has been reflected in the recent fall in Australian stocks in the London market. In so far as this nervousness was caused by apprehensions as to the willingness of the new Federal Government to take the necessary measures of retrenchment and to avoid inflation of the note issue, it should have been dispelled by the wise administration of the new Commonwealth Bank Act, the proceedings of

* See the note at the end of this article.

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the Loan Council under Mr. Theodore's chairmanship, and the pronouncement of Mr. Scullin and Mr. Theodore, endorsed by the Loan Council (which represents all the States as well as the Commonwealth) that repudiation of liabilities by any Australian Government is inconceivable, and that "Australia will promptly and regularly meet all her interest payments and other national obligations to overseas creditors." Internally the country is sound enough, as is shown by the ease with which extensive conversion operations are being accomplished. How long the present stringency will continue will depend on Australia's ability to increase her national income by increasing production. It must be confessed that the outlook is not yet altogether satisfactory. The prospects of increased returns from staple products in the present year do indeed seem so far good, especially as bountiful rains have now fallen over considerable areas. It is claimed that a considerable increase in employment is already resulting from the recent tariff increases, which are discussed elsewhere in this number. But no solution yet appears of the fundamental problem of reducing costs.

Federal Policy

In a Ministerial statement at the outset of the Easter session of the Commonwealth Parliament, Mr. Scullin, the Prime Minister, urged that "the Parliament might fittingly become an economic conference of representatives meeting to discuss the general situation." The legislative programme which Mr. Scullin outlined, however, is scarcely an original contribution to such a discussion, and it contains many highly contentious proposals. Miscellaneous matters apart, it falls into three main divisions—proposals for improving Australia's financial position, proposals for the amendment of the Constitution, and proposals for amending the industrial legislation of the Commonwealth. Details can at present be given only in a preliminary way. To improve the country's financial position the Government

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proposes, firstly, to encourage and stimulate primary production by means of bounties (*e.g.*, for wine and cotton), and in the case of wheat by means of a compulsory pool for the whole Commonwealth, with a price for the coming season of 4s. per bushel at country railway stations guaranteed by the Governments of the Commonwealth and the States. On this scheme the Government is basing a "grow more wheat" campaign. But Australian experience of compulsory wheat pools has not been a happy one, and it is doubtful whether the growers and all the States will decide to accept the plan. In the present state of the wheat market, however, the certainty of even 4s. a bushel is attractive to most growers. The Government may indeed lose on the guarantee, though it is not likely to lose heavily this year, and it would regard any loss in the light of a bounty justifiable if it did increase exports. But a wheat bounty, even for a single year, is a dubious expedient.

Secondly, the Government proposes a number of administrative economies (*e.g.*, the disbandment of the Development and Migration Commission) to set off against the diminished revenue resulting from the decline in imports, both actual and prospective. The Commission's functions are to be brought under departmental control. This step is in line with the Government's declared policy of reducing the number of administrative boards and commissions established by its predecessors, and some direct saving will be effected. But it will be effected by sacrificing that control by independent experts which was one of the chief ends of Mr. Bruce's policy. In regard to development and migration, only vestiges of this policy will remain in the form of an advisory liaison committee between the departments concerned and the Council for Scientific and Industrial Research (whose work, it may be added, is to continue). Mr. Scullin further announces that assisted migration is to be confined for the present to boys and domestics and to nominations involving the

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reunion of families. The informal quotas for migrants from southern European countries are by agreement to be reduced by half. With unemployment at its present level these restrictions are probably wise.

The other group of proposals outlined by Mr. Scullin may be dealt with still more summarily. Following the declared policy of the Labour party and the recommendations of the minority of the Royal Commission on the Constitution, the Ministry has brought in a Bill (which if passed by the Senate will involve the taking of a referendum about the middle of the year) to amend the Constitution by conferring full powers of amendment upon the Parliament itself, as in the Union of South Africa. There is little likelihood of a favourable verdict from the people on this proposal, and accordingly the Government has brought in another Bill to amend the Constitution by conferring on the Commonwealth full powers over industrial matters. This will be referred to the people at the same time as the wider proposal. Its prospects of success are small unless it is supported by the Opposition parties. If it is successful the Government will propose a revision of the conciliation and arbitration system and a comprehensive scheme of social insurance, covering unemployment. In the meantime legislation is being introduced to remove the penalty sections from the Commonwealth industrial laws, and to repeal the Transport Workers' Act.

*The Coal Dispute in New South Wales**

The dispute in the northern coal fields, which began a year ago, is still in progress, or rather in existence. The parties stand precisely where they were, the owners refusing to reopen the mines unless the men will assist them to reduce the selling price by accepting reduced wages, the men declaring that if the industry were properly reorganised no wage reduction would be necessary, and

* See THE ROUND TABLE, No. 73, December 1928, p. 200; No. 75, June 1929, p. 637.

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refusing to resume work save at pre-stoppage rates. From time to time there have been threats of a general strike in the mining and transport industries, but the plans have always come to nothing. A general strike would undoubtedly force the issue, but would probably be fatal to the miners themselves, since they would not be able to remain out of work without contributions from those who are in work. For many months a levy of $12\frac{1}{2}$ per cent. weekly on men earning £5 and upwards has been paid by coal miners in other fields and by miners in metalliferous mines—a striking exhibition of loyalty and solidarity. Only once has there seemed a real prospect of settlement, when at the end of November the parties agreed on a compromise under which the men were to accept a reduction of 9d. instead of the 1s. originally proposed. When put to a vote of the unions themselves these terms were rejected, and the mines are still closed. Something should, however, be said of the part played by the two Governments immediately concerned—that of New South Wales and of the Commonwealth.

During the Federal election campaign Mr. Theodore boasted (or promised, as his opponents put it) that if Labour were victorious at the polls the mines would be open in a fortnight. That boast has been doomed to non-fulfilment, first by the limited industrial powers of the Commonwealth and the point-blank refusal of the Ministry to defy the Constitution and take revolutionary action, and secondly by the Ministry's declared policy of "no wage reduction." Within these narrow limits Ministers have worked energetically, but without success. Conferences with the parties proved abortive. So did a compulsory conference under the Industrial Peace Act. So did Mr. Scullin's offers of financial assistance, one after another. He first offered a bounty on the export of coal produced under pre-stoppage conditions. This the owners refused. Next, he tried to induce the men to accept the compromise which their representatives had recommended

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by promising to pay them the 9d. which they would lose in wages. The miners indignantly refused to "sell their principles for 9d." Turning then to the owners, Mr. Scullin offered to pay *them* the 9d. which they would have gained under the compromise terms, on condition that they would re-open the mines at pre-stoppage rates, pending a conference to consider the reorganisation of the industry. The owners also refused to sell their principles. The Federal Ministry is in fact helpless, as its predecessor was.

Meantime the New South Wales Ministry had also been active. Partly to win coal to keep public utilities going, but principally no doubt for the sake of the moral effect on the miners, the Ministry determined to take over a few collieries as a beginning, and to open them on conditions embodying Mr. Bavin's original scheme—reduced wages, reduced profits, reduced price. Action was taken in mid-December. From the economic point of view the results have been inconsiderable, for, although some coal has been won, the local miners refused to work, and the cost of volunteer camps and of extraordinary police protection must make the venture unprofitable. Nor apparently has the venture made an appreciable contribution towards the settlement of the dispute. Some of its incidental effects, however, have been of considerable importance. For when Mr. Bavin began to put his plans into operation, not only the miners' leaders, but the Australian Labour party in New South Wales, led by Mr. Lang, began to denounce the Federal Ministry for its inaction. Feeling ran very high, especially after rioting had taken place at Rothbury, resulting in the death of a miner. Mr. Scullin was urged to prosecute the colliery owners, Mr. Bavin, and his Minister for Mines; to use the Commonwealth military forces to remove the New South Wales police from the collieries; to confiscate the collieries and work them as a Commonwealth venture. It is very significant that Federal Ministers have had to defend themselves trenchantly against these attacks, to

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refuse extra-Parliamentary dictation, and to declare that their first duty is to the Constitution which they have sworn to uphold. By so doing, they have incurred the active hostility of the extreme sections of the Labour movement, both industrial and political—a situation familiar to British readers of *THE ROUND TABLE*.

At the end of 1929 the miners made two attempts to invoke the Commonwealth Arbitration Court, seeking to create an inter-State dispute first by procuring at the Victorian State mine at Wonthaggi a one-day sympathetic strike, and later by serving upon the federal organisation of mineowners a log of claims (actually involving a demand for higher rates of wages) which had been drawn up but not presented in 1927. On each occasion a judge of the Arbitration Court—following the usual practice of the court in such cases—made an interim award ordering a resumption of work at pre-stoppage rates pending the hearing of the case. In each case, however, the owners successfully appealed to the High Court, which has held that there is no dispute extending beyond the limits of a single State, and that therefore the Commonwealth Arbitration Court has no jurisdiction.

At the time of writing the miners' resistance seems to be on the point of collapsing. Mr. Bavin recently indicated that the Government unemployment allowance would not continue indefinitely, and though an All-Australian Trade Union Congress a month ago passed brave resolutions, there were powerful advocates of immediate compromise. The owners have invited applications for work in terms of the compromise of November last, under which the miners were to sacrifice 9d. per ton in wages, and it is understood that applications have been made in numbers large enough to warrant the opening of, at any rate, the largest mines. A resumption of work now will not, however, solve the most vital problems of the Australian coal industry. It will, of course, improve the industrial outlook, and the country does badly need coal of the quality produced

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by the northern collieries. But Mr. Bavin has now, owing to financial stringency, withdrawn his Government's offer of reduced railway freights in aid of a reduced selling price. Any probable reduction of price would scarcely now suffice to regain the lost export trade. Further, the re-entry of the northern collieries into the market will affect adversely the other fields in Australia, which during the stoppage have enjoyed a fresh lease of prosperity. The vital problems of the industry—high cost of production, over-capacity, and faulty organisation—will still remain.

Victorian Politics

Government in Victoria remains in a position of stable impotence. In the Assembly which was elected in 1927, two successive minority Ministries had maintained themselves precariously, by means of the unreliable aid of the two smallest party-groups. Mr. Hogan (Labour) was succeeded in 1928 by Sir William McPherson (Nationalist), the state of parties (in a House of 65) being : Labour, 28 ; Nationalist, 20 ; Country party, 10 ; Country party Progressive, 4 ; Liberal, 2 ; Independent, 1. As 1929 wore on, the Premier found the House unworkable, and when the Country party Progressives secured Labour support for a motion of censure the Ministry obtained a dissolution, and went ingloriously to the country on November 30, with its budget for 1929-30 still unopened. The campaign was uninspiring. Finance was the really important problem, but neither party was willing to approach the subject save in generalities, and the actual issues had an air of unreality. Thirty per cent. of the candidates were returned unopposed. In the result, though two Ministers were defeated, the position remained virtually unchanged, the Nationalists losing one seat to Labour. When the House met, Mr. Hogan again obtained the support of the small groups, and took office shortly before Christmas. He is likely to find it as hard as he did before to pursue any constructive policy. But he has already

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opened a budget which, though it contemplates a large deficit, does provide for increased taxation. As it now stands it represents a compromise, for the Legislative Council exercised its legal powers and rejected the taxation proposals as at first sent up, and the Ministry dropped some of the new taxes rather than provoke a conflict. Parliament is to meet again shortly to consider in particular a scheme of unemployment insurance. Judging by its activities, Mr. Hogan's Labour Government is, it may be said, as little socialistic as its Nationalist predecessor.

II. RECENT TARIFF CHANGES

THE new Federal Government on taking office in October had three problems confronting them requiring immediate attention—finance, unemployment, and the coal strike. By their treatment of these they would stand or fall. The threat to Federal industrial powers had failed, and the constitutional question could be postponed. Unemployment in particular called for instant action. Unemployment, though not perhaps so severe as in Great Britain, was more widely diffused, and everyone by personal contact had been made uncomfortably aware of it. The instinct of the Government was undoubtedly right, that if they could substantially reduce unemployment they would very definitely have made good.

Unemployment, however, played no such part in the electoral campaign as it did in the last British general election. There was little discussion of methods of dealing with it, and certainly no party had any systematic measures on its platform, nor was any light available from sources outside politics. Industry itself had nothing useful to say beyond a general growl at high costs of production and high wages. The economists had avoided the subject of unemployment, or treated it merely as a phase of the trade

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cycle, and it was clear that their explanations and remedies were not adequate. Under these circumstances it was almost inevitable that any Government new to office should try the short cut of higher tariff protection. High duties, it could be said, would mean more employment immediately or almost immediately in the protected industries. Prices were not always raised by increased duties. The manufacturers were ready with assurances to the contrary under the present circumstances. And the Government plunged.

The normal Australian procedure is to refer tariff changes to the non-political Tariff Board for report before Parliamentary action is taken. The plan is reasonable, and has won high praise from American experts. In fact, as so often in Australia from the earliest times, a good scheme has suffered from inadequate machinery to carry it out. With a personnel inexperienced in this particular work and no general training for research of this kind ; with no adequate staff ; restricted by the Act in its method of work and loaded with many merely technical duties, the Tariff Board could hardly function successfully from the outset. It has been severely criticised in Australia for recommending protection on very inadequate grounds in earlier years, and more recently for apparent* delay in making any recommendation at all on many questions submitted to it. But it has all the time been learning its job, working out for itself both principles of judgment and a technique, and gaining wisdom from experience. An amending Act last year gave it more freedom of action, and it may now fairly be said to be functioning effectively, not perhaps over the whole field of its possible activities, but at least in its more immediate work of discriminating between the claimants for protection. But it can hardly cope with the work even in normal times. Arrears are considerable, and have been increased by the last Ministry putting on to it

* The Board's reports are not usually made public until the Minister takes action in Parliament on them, so that they may be pigeon-holed for years.

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the duty of reporting on coastal shipping in connection with the Navigation Act. A Government, then, resolved on higher protection as an urgent measure could hardly wait for the Board. It brought down its schedules, which immediately became operative, and then referred them to the Tariff Board for report. Parliament will have before it the Board's report, more or less complete, before the schedules are embodied in an Act.

The principal new schedule was brought down on November 22, within a month after the new Government was formed. The customs tariff at the time contained 431 items with numerous sub-items. Rather more than a quarter of these were amended by the new schedule. It was hurried work, and it was necessary in December to bring down a further schedule amending or re-amending some twenty items, in order to remove the more obvious anomalies.

The items of the new schedule fall into several classes :—

(a) Increased duties primarily intended to make up the deficiency in revenue, such as the customs or excise duties on spirits, raw tobacco and petrol.

(b) Rectification of anomalies and consequential amendments of the existing tariff.

(c) Definite attempts at further protection by new or increased duties either (1) already recommended by the Tariff Board or (2) not then reported on by the Tariff Board.

It is only this third class of items which need be discussed here. Provided that the items had been chosen with any care, they would undoubtedly increase production and employment in the industries directly concerned. But how would other production be affected? How much would prices be raised and costs increased, and other production, both primary and secondary, handicapped? In the last resort it would be the unsheltered industries, export production and production competing with imports, that

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would bear the burden. How much unsheltered production and employment would be destroyed? What would be the net result on employment when the gains in the protected industries were taken into account? No attempt has yet been made to answer these questions, and it is on the answer that the justification of the new schedules must depend.

Australian opinion and feeling are undoubtedly in favour of tariff protection. But a certain amount of doubt has assailed even good protectionists whether the policy might not be overdone. This feeling has had support from an inquiry made by a committee of economists and statisticians published last year under the title of *The Australian Tariff** This Committee thought that the general policy of protection made possible a larger population at the same basic standard of living than would have been possible otherwise; but it was emphatic that prices had already been raised to a dangerous degree and that further attempts at protection should be very carefully chosen so as to avoid any appreciable further increase.

It may be surmised that in general those items in the new schedule which had been recommended by the Tariff Board fulfil this condition of not seriously raising prices. The Board has worked lately a good deal on a rather interesting development of tariff policy, which may be exemplified by the important item of bolts and nuts. With the old duty of 35 per cent. the industry had become well established and was able to convince the Board that it was efficient and producing economically in view of the wage standard, the inflated price of raw material, and the scope offered by Australian consumption. But imports were still able to compete, so that the trade was shared. If then the duty was raised to 45 per cent. so as to exclude imports, the manufacturers were able to show that with the increased market they could reduce prices appreciably and were in fact willing to give an undertaking to that effect.

* See THE ROUND TABLE, No. 77, December 1929, pp. 161-169.

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Here we have support for the pure protectionist faith that increase in duty is followed by decrease in price. It is, of course, only under carefully chosen conditions that this effect follows; and it is often not realised that such a decrease in price may still go with an increase of production costs over industry as a whole.

That it may be so becomes clear on reflection. Take again the case of bolts and nuts with the old tariff, half the increase in cost was paid as duty on imports and went into the Treasury to defray the necessary costs of government. With the new prohibitive duty there will be no public revenue from this source, and the amount will have to be made up by other taxation. This taxation must fall on incomes just as much as increased prices do. Taxation will not in general enter into production costs so fully as an increased price of nuts and bolts, but it will always load them to some extent. It might be roughly reckoned that a 10 per cent. decrease in the price of nuts and bolts following a prohibitive duty would on the whole very amply compensate industry for the additional taxation necessary to make up the Treasury loss—provided that the new taxation was divided between direct taxation, luxury taxation, and other indirect taxation in the present Australian proportions. But this would not be true if the new taxation was all on such a necessity as sugar, and so fell almost with full weight on production costs. In that case a decrease of about 15 per cent. in the price of nuts and bolts would barely compensate industry for the increase in taxation.

However, even where a decrease in price following higher duties does involve some addition to production costs, the amount will not be serious; and it may be reckoned generally that the Tariff Board has been able to come to a fairly reasonable understanding with manufacturing interests before it has recommended a new or increased duty; and that the consequent rise in production costs will be negligible.

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But most of the protective items of the new schedule have not been the subject of Tariff Board inquiry, and the effect of these may be much more serious. It is true that these items have now been referred to the Board for report. But, besides the handicap of quite inadequate time for inquiry, the Board is in a weaker strategic position. When manufacturers are seeking protection, an experienced Board can insist on a full disclosure of facts before making a recommendation. But when the new duty has been scheduled and is in operation, the manufacturer can adopt a defensive position and throw the onus on the Board of proving the claim to protection ill-founded. The Board has certainly become more cautious and critical during the last two or three years, but its instincts are for protection, and it is doubtful whether it will be strong enough to resist the moral pressure of schedules already in operation, Ministerial enthusiasm and acute unemployment.

There is then little safeguard as to the effect of much of the new schedule on prices except the quite general assurance of the representatives of manufacturing industry that prices will not be increased. But these public pronouncements are very different from the undertakings given to the Tariff Board, when individual responsibility is pledged with the members of the Board as watch-dogs to see that the pledge is kept. An even more important difference is that the Board first satisfies itself of the ability to produce at lower prices. No doubt the intention of the manufacturers' associations are strictly honourable, but there is no certainty that the goods in question can be produced at a lower price. It is only to be expected that in a good many cases the ability to keep prices down will be found wanting.

The wisdom of the new schedule must be tested by its practical working, and it is much too early for its effects to be measured. It is to be hoped that a systematic attempt will be made to get this measure, but no results can be expected under a year. In the meantime it is possible to pick out instances favourable or condemnatory

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according to one's predilections. We have on the one hand instances of heavy protection of "back-yard" industries, where production at present is quite negligible; *e.g.*, carburettors. On the other hand, increased protection to hosiery has resulted already in considerable increase of employment without any increase in price. In some cases the quality is below that of the article previously imported, but the technique of Australian hosiery firms is good and improvement may be looked for within the year. In general it may be said that neither in soft goods nor metal manufactures has there been at the time of writing any appreciable increase of prices. In some cases too, *e.g.*, felt hats from Italy, there has been a substantial cut in import prices to meet the increased duty. But there is no assurance that this happy state will continue.

On this occasion, there was a good deal of public anxiety about the possible effects of the new tariff in increased prices. The manufacturers met it at the outset by a bold general statement that prices would not be increased. Representatives of some individual industries repeated the assurance with some reservation. The Government said peremptorily that there must be no increase of prices, and that if there were, the protection given would be taken away. Further, in several of the industries affected there is keen competition in Australia, and in the prevailing depression all businesses are ready to cut profits fine to keep or restore their trade. In these circumstances every effort would naturally be made to keep prices down, or at least to postpone increases as long as possible. A very special effort would naturally be made to postpone increases at least until the Tariff Board had reported and the new schedule had been finally dealt with by Parliament. In a number of cases, without doubt, the goods protected are not being made in Australia of the same grade and quality, and increase of price is almost inevitable when Australian products are put on the market. In the meantime the country is reducing consumption as much as

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possible of these particular goods, and living on imported stocks. It is the general, but not universal, practice in such cases to keep prices at the old level until stocks are exhausted. So that even in the worst cases, where there is the least economic justification for a high duty, it is quite possible that no increase of price would yet be manifest. How many such bad cases there are it is impossible at present to say with certainty. But an example may be given which will illustrate also the extent to which the tariff can be increased without action or even discussion by Parliament.

By-laws can be amended by Ministerial action, in some cases without even the recommendation of the Tariff Board. Under this power goods can be removed from a free class to one carrying a high duty and *vice versa*. The classification itself is sometimes a subtle one. For example, aneroid barometers with a scale of feet are "surveying instruments" and duty free. If scaled only in inches, they are "metal manufactures, n.e.i. (not elsewhere included)," and carry a duty of 45 to 60 per cent. One of the most striking Ministerial powers is that of removing metal manufactures from the free class of "tools of trade" to this very heavily protected n.e.i. item, and *vice versa*. Similar drastic action is possible in other parts of the tariff schedule. In the year 1929 there were about 1,500 alterations of the tariff under Ministerial powers. Many of them were technical or trifling, but others of greater importance than many of the amendments which require Parliamentary action. One of these decisions, which has only just been announced, has all the appearance of protection gone mad. The important class of goods which includes picks, mattocks, hoes, etc., has hitherto come in free under British preference as "tools of trade." It has now been removed to "metal manufactures n.e.i." with a preferential duty of 45 per cent. and a general duty of 60 per cent. Roughly it may be said that these goods are not made in Australia, which depends entirely on

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imports. Most hardware merchants have never heard of Australian-made picks and mattocks. Others are aware of a small firm making them in Sydney, but have never seen their goods. Under these circumstances it seems very probable that when stocks are exhausted the prices of these most fundamental instruments of production will rise 50 per cent. and stay so for a considerable period. It is, of course, possible that the Ministerial decision has been made in harmony with some well-planned scheme of initiating Australian production on a large scale. But even if that is so, experience shows us that some time must elapse before efficient production is achieved. It seems a peculiarly wanton act to load costs of production in this way before even any attempt has been made to establish the Australian industry on an adequate scale. The system of deferred duties makes it possible to give quite sufficient guarantees to the capital necessary for the establishment of large scale production, without immediately taxing the elementary tools of industry.

How many such extravagances are contained in the new schedules and Ministerial decisions it is impossible to say. The Government policy must be judged by the event. The action taken was in the nature of a gamble. It is certainly disappointing that the very urgent recommendations of the Tariff Committee* for the greatest caution and reserve in new applications of protection should be followed immediately by the most speculative and indiscriminating outburst of high duties that the Commonwealth has yet seen. Final judgment must be reserved, but it is against all the probabilities that the results should show a balance on the right side. In any case there is no doubt that a number of the new duties will turn out to be very costly in comparison with the benefits attained.

The final test of the Government will be its willingness to recognise its mistakes and its ability to correct them. It is easy to threaten that duties will be taken off if prices are

* See p. 637.

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increased. All experience shows that it is very hard to cut down an existing duty in the face of vested interests and an established industry; and the excuse of avoiding immediate visible unemployment can be stretched a long way to cover the weakness of the Government. It is possible, however, even if the Government is obdurate, that some of the extravagances of the new schedules may be sufficiently proved in time to allow the Senate to take a firm critical attitude, and prevent further loss on the least hopeful experiments.

Australia.

March 26, 1930.

NOTE

Since this article was written, a Customs Proclamation has been issued by the Commonwealth Government prohibiting and rationing a number of imports. The importation of a long list of goods is prohibited except under licence, while others are rationed to 50 per cent. of the quantity imported during the year ended March 31, 1930. Another long list of goods (including some of the rationed articles) will pay a surcharge of 50 per cent. increase of the duty levied before the surcharge. All goods exported from the countries of export prior to April 4, 1930, are exempted from the prohibition. The object of this measure, which is regarded as purely temporary, is not, it is pointed out, protection in the ordinary sense of the word, but one of the measures taken to enable Australia to square her accounts, and to help to redress the adverse balance of trade by limiting imports. As *The Times* of April 5, 1930, which gives details of the articles affected, points out, the result of these measures must be a severe, if temporary, setback to British export trade with Australia, though an incidental effect of the surcharge is to increase the margin of preference to some British goods as against foreign imports. For example, British motor-car chassis imported assembled which now pay 5 per cent. will, with the addition of the 50 per cent. surcharge, pay 7½ per cent., as against 60 per cent. on the foreign, in which case the duty is raised from 30 to 60, though this is a case in which the preference is exceptionally favourable to Britain.

—EDITOR.

SOUTH AFRICA

I. THE SESSION OF PARLIAMENT

IT may be doubted whether any session of the Union Parliament has seen so many matters of first rate importance and difficulty brought under discussion as the session which is now in progress. The question of the representation of natives in Parliament is under consideration by a select committee of both Houses. A Bill for the enfranchisement of women has just passed its third reading in the House of Assembly. A Bill has passed its second reading (the Riotous Assemblies Bill) which gives the most far reaching and arbitrary powers to the Government for dealing with agitators, white or black, among the natives. A select committee of the House of Assembly is considering the possibility of further legislation to deal with the perennial friction which exists in the towns of the Transvaal from what is called the "menace" of competition in trade and penetration of residential areas by the Indian section of the population. Each of these subjects in itself carries far reaching possibilities of trouble, and each of them—even the Bill for the enfranchisement of women—brings us at once face to face with the all-pervading problem of the relations between the European on the one side and the native and coloured populations on the other.

The question of the representation of the natives in Parliament was dealt with in the last number of THE

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ROUND TABLE,* and it is only necessary here to explain the political and parliamentary situation as it exists to-day. As was stated in the article referred to, General Hertzog and his party with their Labour allies went to the country with a definite policy on the question of native representation and won a resounding victory. That policy was embodied in the Bill introduced by General Hertzog in the previous Parliament by which he proposed to deprive the native of the right, which he possesses in the Cape Province, to vote on a common roll and subject to the same qualifications as the European, and to substitute (saving the rights of natives now actually on the roll) a separate roll for natives with the right to elect a limited number of European representatives in the House of Assembly. Early in this session of the new Parliament a joint session of both Houses was held and the Bill was again introduced. A joint session is required by the Constitution to deal with any measure imposing differential qualifications on the ground of race or colour for voters in the Cape Province, and a majority of two-thirds of the members of both Houses is necessary to pass any such measure. The Bill, however, was not proceeded with in the usual way, but, after the first reading, the subject matter was referred to a select committee, so as to give opportunity for consultation in a non-party atmosphere and for the consideration of other proposals than that contained in the Bill. The position therefore is that, notwithstanding the fact that the electorate, by its vote at the last general election, might be supposed to have given its approval to the Bill, Parliament is free to deal with the whole subject of native representation. The effect of the election, therefore, has not been to commit Parliament to dealing with the question on the lines of General Hertzog's Bill. But it has undoubtedly brought home to Parliament and to the country the urgent need for a settlement before the distractions of another general election.

*THE ROUND TABLE, No. 79, March 1930, pp. 418, 419.

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What that settlement will be—or indeed whether a settlement is obtainable which will be generally acceptable to the country—is at present beyond conjecture. Nothing definite has been allowed to pass beyond the doors of the committee room. But the main lines on which public opinion in South Africa is divided are easy to trace. On the one side are those who hold that the basis of our citizenship is to be civilisation, on the other are those for whom it is a question of race, and who see in every advance of the native towards citizen rights a menace to the white man's supremacy. Between these opposing forces a settlement will indeed be difficult. But a continuing conflict will endanger our existence as a Union.

The enfranchisement of women in South Africa is now within measurable distance after many setbacks. A Bill introduced by General Hertzog, but not as a government measure, has passed its third reading in the House of Assembly by a large majority, and there seems to be little doubt that it will come safely through the Senate. Although the Prime Minister's Bill was not a government measure, and the party whips were taken off, there is no doubt that nothing but his personal influence secured the support of so many of his followers to a measure which most of them have always hitherto held in something like abhorrence. On the other hand, the Opposition party, in whose programme the enfranchisement of women holds a prominent place, found a number of its members, especially among those representing the Cape and Natal, unable to vote for the Bill. Their difficulties were occasioned by two features of the Bill. In the first place the franchise is confined to European women. The exclusion of the native woman would not have troubled them, in view of the fact that the whole question of native representation is under consideration by the select committee of both Houses. But the exclusion of the civilised coloured woman makes the Bill very objectionable to members from the coast towns, and the western districts of the Cape

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Province. When General Hertzog promised two years ago to introduce the Bill he undertook to give the vote not only to the European but also to the civilised coloured woman. But that undertaking he has been unable to keep, and it is quite clear that he could not have carried a Bill which gave the vote to the coloured woman through the House as it is at present. The second stumbling block, and one affecting both Cape and Natal members, was that the Bill ignores the franchise qualifications which exist in these two provinces and gives women the vote on the basis of adult franchise. In the Transvaal and the Orange Free State there is at present manhood suffrage for Europeans so that the women will now come in on the same basis. But in the Cape and Natal women will come on to the voters' rolls without qualification while the men will remain subject to the qualifications of the existing law. It is clearly the intention of the Government, if some settlement can be arrived at on the question of the native vote, to bring in a uniform franchise law for Europeans throughout the Union based on adult suffrage, and of this the Women's Enfranchisement Bill may be regarded as the first instalment. But many of the Cape and Natal members are strongly opposed to any movement in this direction—some because they object to any further extension of the franchise to Europeans, and others because they see in it an additional barrier against the political rights of the coloured people. Even the best friends of the coloured people would not advocate that they should be admitted to the voters' rolls without some test of education and civilisation, and consequently the effect of giving adult franchise to the whites is to bring another colour differentiation on to the statute book. However, the objectors to the details of the Bill were not sufficiently numerous to prevent its passing by a large majority.

The Riotous Assemblies Bill is intended to give the Government more adequate powers to deal with certain forms of agitation which are on foot among the natives.

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It must be admitted that the position of the natives who have cut away from their tribal life and settled in the towns and industrial areas is such as to offer an attractive field for the agitator—both black and white. But there is a good deal of evidence to show that some of those who labour in that field are not actuated so much by the desire to improve the lot of the native as by the intention of working on the discontents of the native to raise revolt against European government and society. South African society is peculiarly susceptible to a menace in that direction, and the demand of the Government for drastic powers receives widespread support. The Bill now before Parliament gives the Minister power to prohibit public meetings, if he considers that they are likely to promote feelings of hostility between the European and other sections of the inhabitants; to prohibit publications which he considers will result in the promotion of such hostility; to remove any person from any area where he thinks the presence of such person will promote such hostility; and to order the deportation of anyone not born in the Union who is convicted of having attended a prohibited meeting. In the case of a prohibited publication the person concerned has the right to go to the Courts and if he can show that the natural and probable effect of his publication will not be that alleged by the Minister the order may be set aside. Similarly, an order on a person to remove from an area may be set aside by the Court if it considers that the order was made *mala fide* or without any reasonable ground.

The Opposition, while recognising that the situation presents certain features which call for an amendment of the existing law, has opposed the investing of the Government with arbitrary powers particularly as affecting the personal liberty of the subject. It has laid stress on the dangers involved in depriving persons who are to be subjected to restraints of the right of trial before the ordinary tribunals of the country. The Bill, however, is to be pressed and will be carried. That it will stop agitation,

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even dangerous agitation, among the natives is not to be expected. A far more hopeful step is the appointment by the Government of a commission to enquire into the economic condition of the native population. The personnel is not yet announced, but nothing is more needful for the peace and good government of the country than a full and fearless enquiry into that subject.

The select committee which has been set up on the question of Indian traders is to deal with certain evasions and infringements of the laws imposing restrictions on Asiatics in the Transvaal which have taken place since 1919. In that year an Act was passed to make more effective the law originally passed by the Transvaal Republic in 1885 by which Asiatics were prohibited from owning land in the Transvaal. This was being evaded by various devices, especially by the formation of private companies. The Act of 1919 tried, but, as experience has shown, without much success, to stop that loophole, and at the same time it legalised the position of a large number of Indian traders who had been allowed to establish themselves in areas proclaimed under the Gold Law, although that law forbade the occupation by coloured persons of property on proclaimed areas. The Act, however, while legalising the occupation of property in the forbidden areas by persons actually in occupation at the date of the Act, made no adequate provision for preventing further illegal occupation, and the Government is now faced with the alternative of bringing about the eviction of a large number of Indian traders, who have been allowed to establish themselves in contravention of the law, or of introducing a second condonation measure on the lines of that of 1919. The agreement made by the Union Government with the Government of India in 1927 has not resulted in any diminution of the agitation on the part of a large section of the European population against Indians being allowed to live and trade in their midst. Nor has it brought the Indian community any nearer to acceptance of a policy of

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separate areas for Europeans and Indians in towns. A further effort of statesmanship on the lines of that of 1927 is required if this abiding source of friction and racial conflict is to be removed.

II. THE GENERAL ECONOMIC SITUATION AND THE BUDGET

FOR the first time since it took office in 1924 the Nationalist Government has to look forward to a year of probably diminished prosperity. Mr. Havenga, Minister of Finance, whose good fortune it has been to announce to the House year by year in his budget speeches a series of substantial surpluses, has on this occasion been forced to budget for a deficit, to withdraw a rebate of twenty per cent. from income tax which he had conceded in the two preceding years, and to carry forward a surplus to the relief of current taxation under the new system, which the present Government introduced some years ago, of not applying such funds automatically to the extinction of debt.

There is no doubt that South Africa is going to experience a period of diminished prosperity. The only question in that regard on which the House is not agreed is the degree of responsibility to be attached to the present Government. It is true that as late as last July a white paper compiled by a member of the advisory Board of Trade endeavoured to combat the growing belief that a decline in business activity was imminent, but at the same time attention was carefully drawn, by elaborate argument from the history of "business cycles" in South Africa, to the view that it would only be in accordance with precedent if at the present juncture a recession of business were to set in. Government supporters thereupon maintained that a depression was the inevitable outcome of the operation of economic laws and that no responsibility for it could be laid at the door of the present Government; whereupon members of the Opposition have enquired whether it would not be equally

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inappropriate to imagine a causal connection between Nationalist administration and the past five prosperous years. Governmental activity has undoubtedly exerted a complex influence on both the amplitude and the secular trend of business fluctuations, and it is certain that if the current economic situation had been more accurately anticipated government policy would have undergone drastic modification in several directions.

The terms of the budget reflect the change in the economic outlook, and both will be made clearer by a brief review of the movements of production and prices in the Union during the last few years. Mining, agriculture and industry have all enjoyed a very fair measure of prosperity, and the recent turn in the prosperity of business, which has affected agriculture first and foremost, is of external origin. It is not so much that the volume of farm produce has fallen below expectations as that it has failed to realise the prices anticipated on the world markets. Whether or no it was reasonable of the farming community to anticipate the maintenance of former price levels, and of the mercantile and banking community and the Government to continue to act for so long on the same expectation is a matter of opinion.

South Africa may well congratulate herself at the moment that she still has the gold mines, which almost alone of all her export industries produce a commodity for which the demand is fully maintained on existing terms of sale, if, indeed, an important body of economic opinion is not right in contending that there is an increasing shortage of its product. For six years in succession the output of the Transvaal gold mines has attained a new record. In 1929 it reached 10·4 million ounces as compared with 7·5 million in 1913, despite an average rise of 16 per cent. in wholesale prices in South Africa, the selling price in terms of money of course remaining fixed. That expansion has been made possible only by a steady reduction of working costs secured in the early years after the

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war. Unfortunately it has not been possible more recently to continue that downward movement of costs, and the effect is noticeable on production in the second half of 1929, which was lower by nearly 20,000 ounces than in the first half. As is only to be anticipated, costs increase as mines are worked at lower levels and as difficulties concerning the supply of native labour increase. The importance of securing that the gold mines shall derive full benefit from the recent fall in wholesale prices in the form of a reduction of working costs, if production is to be maintained, need not be emphasised.

When we turn to diamond production, the statistics show a similar period of expansion since 1922. The quantity produced in carats has not, it is true, reached the record figures for the Union of 1910 and 1913, nor has the value produced returned to the record figure for 1920, but a steady improvement took place from the low point of 1922 until in 1927 the output reached 4·7 million carats, valued at £12·4 million, of which alluvial production comprised the record quantity of 2·32 million carats. During 1928 the Namaqualand deposits were worked extensively by the State, producing over 900,000 carats out of a total of 4·37 million, valued at £16·68 million, of which over £11 million—2·1 million carats—was alluvial production. From February to November 1929, however, work upon the Namaqualand State diggings was suspended during the erection of a washing plant, and the total Union production in 1929 was 3·66 million carats valued at £10·59 million, alluvial production being 1·37 million carats (£4·82 million). The Wall Street stock exchange crash and uncertainty with regard to the American tariff have very seriously affected the diamond market in recent months, and the government revenue from these sources in the financial year 1929-30 fell short of the estimate by nearly one million pounds. The export duty has yielded £375,000 less than the estimate; £400,000 less than the anticipated revenue of £2,500,000 was realised from the

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sale of State diamonds, and the Government's share in the profits of the Premier Mine also fell short of expectations by £180,000.

It would be very singular if no progress could be reported in factory production in South Africa during recent years, in view of the special efforts which have been made by the application of protection since the war, and particularly since 1925, to secure the diversion of capital and labour to industrial processes. When changes in the price level are eliminated, the value of industrial production has at least doubled in the last ten years. The gross output revealed by the 1927-28 census is valued for the first time at well over £100 million. In his budget speech the Minister of Finance this year foreshadowed a curtailment in industrial activity with consequent unemployment as the result of the prevailing slackness of business. More serious, however, is the effect of the industrial development policy on the price level, and consequently on working costs of the export industries, especially the gold mines, which, as has been indicated, are probably capable of considerable expansion, in present circumstances of world demand for gold, if only the rising tide of working costs can be stemmed. It is noteworthy that, while in the four years 1925-1929 the average prices of imported goods fell by over 13 per cent., those of South African goods fell by no more than 7 per cent., so that the South African wholesale price index was lower by barely 10 per cent. as compared with a 13 per cent. fall in the United Kingdom figure. Moreover, when the cost of living figures are compared, in the same period the cost of living in South Africa fell by no more than 1 per cent. as compared with 6 per cent. in the United Kingdom. The maintenance of relatively high working costs cannot fail to affect adversely the various exporting industries.

The farmers also, after several years in which unusual prosperity has made the question of working costs seem of relatively small importance, have in the past year been

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rudely awakened by the fall in world prices of agricultural products. In spite of a satisfactory volume of production, the value of farm products exported during 1929 fell by nearly £5½ million (32·2 to 26·8) as compared with the previous year. Only in recent years have South African maize exports become a fairly regular feature of world trade. Since the most successful year of 1925-6, when exports totalled over one million tons, the South African maize producers have enjoyed three good seasons in succession, in 1927, 1928, and 1929, each of which yielded a fair margin for export, although in 1929 the holding back of part of the crop for a rise in price was proved by events to have been an error of judgment, since prices fell from 14s. 7d. per bag (200 lbs.) at the opening of the export season to below 10s. per bag at the end of the year. The first crop estimate of 2·54 million tons for the next season, however, constitutes a new record, and the aggregate return to farmers should prove satisfactory even if much better prices are not secured.

It is in the wool market, however, that the most sensational fall in prices has taken place. At the end of the 1924-25 season, wool prices fell in a few months by one-third, and remained fairly steady at the lower figure for two years. From the middle of 1927 a gradual improvement began once more, reaching a peak increase of 25 per cent. by April 1928, but thereafter set in another steady and continuous decline. The drop by the middle of 1929 reached the low 1926 level and the decline continued until early in the current year. The average value of grease wool in 1929 was 11·8d. per pound as compared with 15½d. in 1928. The seriousness of that fall in price will be better realised when it is stated that 1d. per pound difference in the price of grease wool means a clear £1 million difference to South African exports. On the other hand, the clip was especially large in 1929 (33½ million lbs., or say 12½ per cent., greater than in 1928), and of improved quality. The value of wool exports nevertheless declined by

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£2,330,000 (or 14 per cent.). Hides and skins also fell in value compared with 1929 by $33\frac{1}{3}$ per cent., and as the quantity exported was much less than in the previous year the value of exports declined by £1½ million.

One effect of the fall in prices of agricultural products has been to accentuate the fact that farm lands in many parts of the Union have been changing hands since 1922 at prices far above their economic value. Cabinet Ministers in their speeches and the Land Bank experts have warned farmers against the reckless acquisition of land at valuations ruling since 1928, and a recent estimate published in the monthly review of the Standard Bank of South Africa suggests that wool and maize farms have changed hands last year at prices more than 50 per cent. above those of five years ago. The confidence in the permanence of high prices for produce has moreover not been confined to the farming community. The farmers themselves could not in most cases have made so heavy an outlay on additional land, and on imported manufactured goods, nor could the merchants have financed the heavy importations which have been the feature of the last two years without the liberal assistance of the commercial banks. South Africa certainly cannot accuse the banks of pursuing a niggardly advance policy in recent years, for, obviously in expectation of good prices for the very satisfactory volume of farming exports, they have financed an exceptional volume of import business.

Comparing the twelve-monthly periods ending June 1928 and December 1929, imports have increased by £8·6 million, while exports have fallen by £2·2 million, and taking account of long term borrowings overseas and of "invisible" items, a surplus of exports of £8 million has been replaced by a surplus of imports of £10 million. That surplus is at present being financed by the banks, by increasing to an exceptional degree their proportion of advances to deposits and by the utilisation inside the Union of funds drawn from outside. In the long run, the

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position will be rectified by an increase in exports and a decrease in imports, but in the meantime the commercial banks are faced with the difficult task of rehabilitating themselves by a judicious contraction of advances and by efforts to maintain the volume of deposits. The resumption of long term borrowing overseas by the Union Government will to some extent ease the immediate situation.

That the contraction of imports has already begun is shown by the figures of customs receipts announced by the Minister of Finance in his budget speech of March 26. Since the introduction of the new tariff schedules of 1925, customs receipts have invariably shown a substantial surplus over the estimates, and for 1928-29 they totalled £9,300,000. The estimate for 1929-30 was £9 million, and for the first eight months the receipts were again nearly half a million pounds in excess of the estimate; but in the final four months of the financial year collections fell so far short that nearly a quarter of a million of the accrued surplus was absorbed.

The results for the past year of government finance are an anticipated surplus of £385,000. The revenue estimated in the previous budget speech was £30,400,000, and expenditure, including a supplementary estimate, was estimated at £30,537,000. The latest revised estimate announced by the Minister shows actual revenue received at £30,485,000 and expenditure reduced by savings and surrenders to £30,100,000. Actual expenditure from loan funds for 1929-30 is expected to be £10,557,000, a saving of £1,002,500 on the original estimate. The public debt was increased during the year by six millions to approximately £250 million.

Coming to the estimates for the current year, the Minister of Finance has had to contend, as has been shown, with the probability of reduced imports, and decreased receipts from the diamond industry. The estimates of expenditure for the ensuing year amount to £30,813,000. On the revenue side, existing taxation and other receipts

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are estimated to bring in £29,425,000, leaving a deficit of £1,388,000 to be made up. Of this amount £400,000 is to be found by carrying forward the surplus from the previous year, and an additional £713,000 by discontinuing after two years the rebate of 20 per cent. of the income tax chargeable to individuals and companies, other than gold and diamond mining. The remaining deficit of £425,000 it is hoped to eliminate by enforcing rigid economy and strict control of administrative expenditure.

Increased customs duties are announced for protective purposes on wheat, flour, sugar, dried and canned fruit, ready-made clothing, starch, salt, peas, beans, lentils, and ground nuts.

On the whole, the budget has been well received by the press and in the House. Relief that taxation has not been seriously increased in a period of financial stringency has no doubt prompted critics to deal lightly with the obvious risk which the Minister has taken in budgeting for a deficit, particularly since the estimate of customs receipts (£8,450,000, or £800,000 less than for the previous year) must be regarded as the least conservative estimate of revenue from that source which he has yet made, in view of the practical certainty of a large diminution in the volume of imports.

South Africa.

April 18, 1930.

NEW ZEALAND

I. THE POLITICAL DRIFT

THE two or three months beginning with Christmas and the summer holidays, which are normally the quietest period of New Zealand's political year, have on this occasion been distinguished by a slackness to which the longest memory does not pretend to recall a parallel. Trade depression and unemployment, also normal at this time of year, are two of the main causes, but beyond question the principal one is the obstinate illness of the Prime Minister. The surprise victory at the general election in November 1928 which brought Sir Joseph Ward into office was unmistakably a one-man victory. His Cabinet is almost as conspicuously a one-man Cabinet. Yet for nearly six months that one man has been to a very large extent disabled by ill-health from taking any public part in the country's business. During the last two months, moreover, his disability has been sufficiently serious to take him away from Wellington. He has had to go to Rotorua for treatment and is unable to undertake any heavy responsibility beyond that of general supervision.

After leading the House for the first three months of the session, the Prime Minister was, it will be remembered, unable to appear in his place after October 2,* and had to depute his Parliamentary duties for the remaining five or six weeks of the session to Mr. G. W. Forbes, the Minister of Lands. The good impression which Mr. Forbes made as Leader of the House he has confirmed during the recess

* See THE ROUND TABLE, No. 78, March 1930, p. 433.

The Political Drift

as acting Prime Minister, but his range has necessarily been a narrow one. The best that a substitute can do under such conditions indeed is not to make mistakes. Mr. Forbes has sureness of foot and tact which make it easy for him to avoid mistakes, but even if he had a corresponding amount of energy and initiative he would not be free to display them in the position of a stop-gap or caretaker. The supreme responsibility remains elsewhere. The result is that during the last three months the Ward Government has established an even better right to the title of the "silent Ministry" than its predecessors, to whom the term was occasionally applied. It has also given a far stronger impression of drift. Unemployment and finance are the two gravest problems with which Parliament has to deal, and in the case of the first an excellent opening was presented a month ago by the report of a government committee which is discussed on a later page. On neither of these questions, however, nor indeed on any other, is the Government giving the country a lead. In an article upon the "Prime Minister's duty" the *Evening Post* on March 13 summed up the position as follows, drawing a moral which, though few other newspapers have been equally outspoken, appears to be widely approved :—

With the session little more than three months ahead we are entirely without inspiration or guidance from Ministers on any of the great issues that must come before Parliament. The reason is that the strong man of the Ministry has been laid aside by illness, and his colleagues lack the necessary authority to fill his place to the full extent of their humbler capacity. For the same reason the criticism of the Opposition has been silenced or muffled. The ship of the State is rolling uneasily in a sort of political doldrums, not sailing but drifting, and making no adequate preparations for the storm that is threatened by the ominous clouds on the horizon. We should rejoice to see the strong man back at the helm again, but in the meantime it seems to us, though we say it with the utmost reluctance, that it is a plain duty to all concerned, including himself, to resign.

But although the atmosphere of general slackness has combined with Sir Joseph Ward's illness to protect the

New Zealand

Government from criticism, it has also tended to their embarrassment by fomenting discontent within the party and weakening the bonds of discipline. One phase of this trouble came before a United party caucus on February 21. Three of the members of the party in Parliament had indulged in public criticism of the Government and, when this came up for discussion, two of them appear to have made their peace with the party; but the third, Mr. H. R. Jenkins, retired from the caucus and resigned from the party. He has since also resigned his seat for Parnell, and preparations for a by-election are now proceeding with the prospect of four or even five candidates in the field. The present state of parties in the House of Representatives is :—

United (Government)	26	Independent	..	4
Reform	.. .. 28	Country	.. ..	1
Labour	.. .. 20	Vacant Seats	.. ..	1

A resolution expressing sympathy with, and full confidence in, the Prime Minister was unanimously passed by the Liberal caucus, and published on February 22, together with a telegram from Sir Joseph Ward at Rotorua declaring that it was "absolutely essential to be prepared for eventualities" and that, while he did not think the great majority of the people desired a general election, "still in the existing state of parties we must not ignore the possibility, although remote."

It has recently been the policy of the Labour party to suggest that the possibility is not so remote, and that, although they put the United party into office and kept it there all last session, it may be their duty to reverse this policy. After a caucus meeting of the party on February 20, Mr. H. E. Holland, its leader, issued a statement. The opening paragraph gives the sense. It read as follows :—

The outstanding features of the present economic and political situation in New Zealand are the problems of finance and credit,

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land settlement and utilisation, unemployment and industrial depression, and the critical conditions which have developed in connection with our administration of the League of Nations Mandate for Western Samoa. On all these questions the Labour party finds itself at variance with the policy and administration of the present Government.

At Westport on March 16 Mr. Holland's tone was still more warlike.

In the ranks of the Labour party, both in and out of Parliament, there was (he said) the gravest dissatisfaction with the Government because of its failure to live up to pre-election promises. That dissatisfaction was also widely in evidence among the general public, including many supporters of the United party, in the electorates. What was very certain was that in the session the Labour party would press every demand embodied in its pronouncement of last month reflecting the party's previous declarations.

If the pressure of his party proved to be strong enough to put the Government out the Labour Leader made it quite clear that he was prepared to fill the gap.

In the event of the Government being defeated on the Labour party's motion, it would follow as a matter of compliance with constitutional procedure that Labour must be given an opportunity to form a Government. In that event the Labour party would be entitled to expect the same consideration from the House as was extended to the United party when it became the Government.

What a delightful idea, "constitutional procedure" enabling a party of 20 members to take charge of a House of 80, a distinct improvement on Britain's experiments in minority government! But, even on Mr. Holland's own showing, Mr. Coates would first have to put his party of 28 at the disposal of this section of 20 whose policy is infinitely more obnoxious to them than the Ward Government's. It would therefore seem that Mr. Holland is not likely to get his "opportunity." His suggestion has indeed been more successful in raising a smile than in making people's flesh creep. It may, however, serve the serious

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purpose of helping to shame the non-Labour parties, who between them command two-thirds of the House, into sinking the artificial and personal differences which put the balance of power into the hands of a third party, repugnant to both of them, and thus strike at the foundations of parliamentary government.

The *Auckland Star* of March 18 does not touch on this aspect of the problem or on the state of Sir Joseph Ward's health, but it found a moral for the Government in the growing dissatisfaction of Labour and stated it in a manner which does credit to the candour of a consistent supporter of the Government.

Admittedly the United party is much weakened by internal dissensions, and a great deal of public dissatisfaction is felt at the slow rate of progress that the Government has made on the administrative side, more especially in regard to land settlement. The moral of all this is plain enough for Sir Joseph Ward and his colleagues to read, mark, learn, and digest. Let the United party close its ranks and consolidate its strength, and let the Government carry out its declared policy on more vigorously progressive lines. If this is done speedily and energetically, Mr. Holland will need to wait even longer than "this year, next year, sometime" for the fulfilment of his hopes.

II. THE UNEMPLOYMENT PROBLEM

ON October 17, 1928, the investigation of the unemployment problem was entrusted by the Coates Government to a committee of six members: Mr. Hunt (Chairman) and Mr. T. O. Bishop, representing the employers; Mr. James Roberts and Mr. Oscar McBrine, representing the workers; Mr. Malcolm Fraser, the Government Statistician; and Mr. H. D. Thomson, the Under-Secretary for Immigration.

The first of this Committee's reports, dated August 29 last, is concerned with the classification of unemployment, the development of afforestation and the fur industry,

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and the provision of homes for workers.* The second report, dated January 30, was released for publication on February 25. It deals with the following matters:—

- (1) Recommendations for minimizing unemployment and for relief of the unemployed.
- (2) Possibilities of increased farm production.
- (3) Homes for workers adjacent to centres of employment.
- (4) Review of the statistics as to unemployed since first report.
- (5) Results of the individual investigation of a large sample of those on the unemployed registers for over twelve months.
- (6) Cost of unemployment relief during the past three years; and
- (7) An appendix containing statistical tables.

Whatever may be its fate at the hands of the politicians, the report is an able, conscientious and illuminating piece of work for which its authors are entitled to a far larger measure of public gratitude than they have yet received. The fluctuations since the war of an evil which has, in the last three or four years, become the most baffling of our social problems, were indicated in the Committee's previous report by the weekly averages of the unemployed register. They were as follows: 1921 (9 months), 1,097; 1922, 1,237; 1923, 599; 1924, 437; 1925, 426; 1926, 1,196; 1927, 1,982; 1928, 2,504; 1929 (to July), 2,975. In the last report a table shows how the expenditure on relief works by the public authorities named in it has grown during the last three years dealt with. The figures are as follows:—

	1926-27.	1927-28.	1928-29
	£	£	£
Public Works Department ..	130,000	379,565	680,393
State Forest Service	14,240	27,550	50,250
Lands and Survey Department ..	—	—	3,500
Auckland City Council	61,299	63,099	28,523
Wellington City Council	11,937	76,300	48,923
Christchurch City Council	6,704	39,801	25,303
Dunedin City Council	3,175	9,750	8,492
Fourteen other local bodies ..	28,976	77,323	70,019
Totals	256,331	673,388	915,403

* Appendix to Journals 1929, H.—11B.

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The increase in government expenditure from £144,240 in 1926-27 to £407,115 and £734,143 in the two following years is startling, but last year there was a substantial set-off in the decline of municipal expenditure.

As was to be expected (say the Committee) the slackening off in the efforts of the larger local bodies to deal with the problem of unemployment has brought about increased activity on the part of the Government in establishing relief works.

The haphazard way in which the apportionment of the relief expenditure between the Government and the local bodies varies is a good illustration of the lack of system which at present prevails.

In their first report the Committee pointed out the seasonal unemployment in the primary industries—butter and cheese making, shearing, meat freezing and harvesting—and in the transport and other industries dependent upon them, as a special feature in New Zealand's problem. They now add the following words :—

Apart from seasonal unemployment, it is clear that what may be called our normal industrial system is not fully absorbing all available labour, and that this incapacity of industry to absorb labour has been more evident in the last five years than during any previous period. In this respect New Zealand is suffering in common with all other civilised countries. Moreover, as stated in our first report, we are convinced that unemployment, arising from changes of methods and the increased use of labour saving machinery, is a continuing problem inevitably bound up with the development and progress of our civilisation.

The remedial measures hitherto adopted in New Zealand—the extension of public works and the institution of special relief works—are condemned by the Committee as wasteful and only to be tolerated for brief periods of special difficulty. They point out that neither the Government nor the local bodies have succeeded in passing more than about 70 per cent. of their relief expenditure on to the workers in wages, the remaining 30 per cent. being accounted for by materials, supervision, and overhead expenses.

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Nobody is likely to dispute the Committee's finding that this is not a satisfactory result, "if the object of the expenditure of any given sum of money is to relieve the greatest possible number of necessitous cases." The lack of any proper correlation between the State, the local bodies, and private employers is also noted, and the conclusion recorded that "the application of relief measures hitherto has been unscientific, uneconomic, and at best to be regarded as a temporary expedient only."

They do not think that the principles of insurance can be applied to unemployment, on the ground that the risk is an incalculable one, and they refer to the experience of countries where a scheme has been established as showing that a premium which is adequate in one year may by unforeseen conditions be rendered quite inadequate in the next.

An insurance scheme should (they say) be complete in itself, and should be actuarially sound, but no such scheme has yet been devised for unemployment.

The incidence of the cost is another difficulty emphasized by the Committee. Where the whole cost is borne by the industry (employers and workers) and the State, as under existing schemes, the taxation of the industry tends to defeat its own ends by preventing the investment of capital in it or by loading a struggling concern beyond its strength. The introduction into New Zealand of an insurance scheme like the one adopted in England or Queensland would, in the Committee's opinion, result in the placing of substantially the whole burden on the secondary industries, with the result that unemployment might be increased rather than diminished.

It appears to us (they say) that those who advocate for New Zealand the adoption of an insurance scheme similar to that of England have not fully recognised the great difference that exists between local and English conditions. In England secondary industries are highly developed; workers entering an industry tend to

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continue in the same industry during their working life. Under such conditions insurance is possible ; but in New Zealand, where many secondary industries are just struggling to establish themselves, where workers, particularly unskilled workers, so freely move from one industry to another, and where the seasonal character of our main industry—farming—is so pronounced, the conditions do not lend themselves to such a system of insurance.

Finally, the Committee found no insurance scheme which goes much further than to provide sustenance payments for the unemployed, whereas the main function of a New Zealand scheme should be to provide an opportunity of employment for all who are able and willing to work. They arrived unanimously at the conclusion "that the adoption of an unemployment scheme on the lines of those operating in other countries would be a very grave mistake."

The essential functions of a scheme adapted to the conditions of New Zealand are defined as follows :—

(1) The provision of employment between seasons for those workers who are regularly employed in a seasonal work connected with the primary industries.

(2) The provision of employment for those workers who are displaced by changes of industrial methods, increased use of labour saving machinery, and changes in the demand for commodities.

(3) The provision of sustenance payments for unemployed workers willing to work and capable of working during periods when employment cannot be found for them.

"We reach (they add) the conclusion that two things are urgently required ; first, the creation of a permanent organisation to deal with problems of unemployment ; and second, a fund to be used for the purposes of such organisation."

The Committee were impressed by the intermittent and uneconomic character of the existing methods of relief, and the lack of co-ordination between them. The primary object of the New Zealand Employment Board proposed by them is defined as "the study of means by which the field of economic employment may be enlarged through the development of productive industries" ; and they suggest

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that the Board should be composed of representatives of organised employers, of organised workers, and of "that section of the community which is not represented by either of these organisations."

They recommend that this Board should function continuously ; that it should act in an advisory capacity to the Government on all questions relating to the welfare and development of industry ; and that it should also act as a central authority exercising a measure of control over all relief works, whether undertaken by the Government or by local bodies, so that in respect of both time and place they should be carried out in such a way as to provide a maximum of employment. The whole aim of the Board should be to promote "the natural solution of the unemployment problem, namely, the expansion of productive industries and the development of new industries which will absorb labour." Relief works are to be regarded as temporary provisions to meet special emergencies, and never allowed to draw labour away from productive industry. A system of labour exchanges, at which all the unemployed would be required to register, is to help the Board to direct labour to profitable employment.

Approaching the financial side of the problem the Committee express the opinion that unemployment is essentially a social rather than an industrial trouble. A purely industrial problem would be properly left to industry to deal with, but "unemployment arises very largely from social conditions ; therefore every member of the community should be called upon to bear a share of the cost of remedial measures." To throw the whole burden upon a section of the community would be unjust, but it would also be ineffective, since, while sheltered industries could pass on any increased cost of production arising from the taxation, the unsheltered industries, being unable to do so, would have their troubles increased rather than diminished. The Committee therefore consider that the necessary taxation should be spread as equitably as possible over the whole

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community, and that the present income tax, with its exemption of all incomes below £300, is too narrow in its range. They accordingly propose "the imposition of a flat individual tax which would roughly approximate to 1d. in the pound." The suggested rates of this taxation are as follows :—

	Per annum.
Males 18 and 19 years of age	18s.
20 years of age and over	24s.
Females (engaged in paying employment)	
18 and 19 years of age	12s.
20 years and over	18s.

The amount obtainable from these and other proposed sources for the Employment and Sustenance Fund is estimated to be as follows :—

	£
Flat individual tax on all persons 18 years old and over	505,000
Flat tax of 1d in the £ on incomes exceeding £300 ..	80,000
Flat tax of 1d. in the £ on all undistributed profits of companies, etc.	22,500
Flat tax of 1d. in the £ on the taxable balance of unimproved value of country lands as assessed for land tax	67,500
Local bodies' contribution of 1 per cent. of revenue from general rates	25,000
Total	£700,000

Recent experience, however, shows that this amount would be insufficient for all the Board's requirements. The Committee, therefore, recommend that one-third of its total expenditure each year should be paid out of the Consolidated Fund and two-thirds out of the Employment and Sustenance Fund. This would involve a possible maximum of nearly £1,000,000 a year, but the Committee consider that in good years and in the early stages of the experiment the latter fund "should be allowed to accumulate as far as possible against periodic waves of depression and unemployment."

Our proposals (they say) as to the raising of the necessary employment fund we believe are new. We are convinced they are more

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practical than would be the methods adopted in any other country and that they are based upon social justice.

The Employment and Sustenance Fund is, as its name suggests, to be used "chiefly in providing or finding work or employment for the unemployed, and failing that in providing sustenance payments as prescribed." The crucial provisions which fall under the first of these heads are as follows :—

On any work provided by the Board or public authority not less than minimum award rates of wages to be paid to all *competent* workers who are employed on those works. (Clause 42.)

The Board to be authorised to arrange for unemployed workers being employed on relief works and workers to have alternate periods of relief work and on sustenance benefit to encourage them to seek employment elsewhere. (Clause 43.)

In clause 42 "minimum award rates" means the minimum rates fixed by the award of the Court of Arbitration. At the present time this rate is 14s. a day, and is the rate paid on the relief works both of the Government and the local bodies. But whereas the awards are rigid and admit of no compromise the epithet in the expression "all *competent* workers" (the italics are the Committee's) gives the Board a discretion to pay less than 14s. when the worker is not worth the full amount.

It is impossible in this article to discuss the other sections of this interesting report, but some idea must be given of the reception that has been given to the important and highly contentious section summarised above. The general attitude of the press may perhaps be described as a cautious and mostly non-committal approval. Two of our leading papers are, however, contemptuously hostile. The *Press* (Christchurch) of February 26 described the report as "an elaborate failure."

It (the Committee) has stared hard at unemployment and relief, and forgotten causes and cure. It has accepted unemployment as an institution and provided for its upkeep. This is entirely and dangerously wrong. The Committee has done worse than nothing; it has done the Dominion a regrettable disservice.

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Second thoughts on February 27 confirmed the first impression of the *New Zealand Herald* that of all the wonderful aspects of the report the most glaring is "the placid acceptance of unemployment as a permanent feature of the social structure." The logic is a little like that of the ancient Maoris, who, objecting to the placid acceptance of wounds as a permanent feature of war, declined to take an ambulance with them on the war-path. But the *Auckland Star* (February 25), the *Dominion* (February 26), the *Evening Post* (February 25) and the *Otago Daily Times* (February 26) were all complimentary as well as critical. The *Star* was, indeed, able to congratulate the Committee on "its energetic and comprehensive attempt to deal with the gravest of all our economic and social dangers," and, in a later article on February 27 it described the assumptions on which the report is based as "fundamentally sound." The diagnosis of the *Post* followed similar lines, as was indicated by the title of its article, "A solid basis to build on."

The politicians have been more reticent. On receiving the report Mr. W. A. Veitch, the Minister of Labour, described it as "a very valuable outcome of the Committee's labours," but he has got no further. Even the Labour party, which is of course keenly interested, has had little to say. Mr. D. G. Sullivan, M.P., and a few others have declared themselves "seriously concerned over the proposal to ask the workers to find more than £500,000 of the total of £700,000 required;" but as the flat individual tax is a poll tax which will be paid by everybody, whether he is liable under any other head of taxation or not, not more than two-thirds of the £505,000—rather less than half the total—will fall upon the worker. There has also been some public criticism of the two members of the Labour party who signed the report. But the advice tendered by the *New Zealand Worker*, the organ of the party, on March 5, which found in the report "a policy which represents a great humanitarian and social advance," has been generally followed.

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In the main (says the *Worker*) the report must be accepted by the Labour movement, and where details appear faulty or inadequate the Labour movement should hammer out improvements, and use its power in Parliament to have its ideas embodied in whatever legislation is enacted. Possibly a conference of the Labour movement might be convened to give expression to its considered views.

Municipal politicians have been less reticent. In the *Dominion* (March 4), Mr. G. A. Troup, the Mayor of Wellington, denounced the report as "one to be scouted by all reasonable men," and "infinitely worse than the dole." He was "amazed to see with what equanimity they (the Committee's recommendations) had been received in Wellington," and at the conference of the Municipal Association of New Zealand, which was held at Invercargill on March 6, the following resolution was carried on his motion:—

That this conference of local bodies objects to the proposal put forward by the special Committee set up by the Government as set forth in the daily press, on the following grounds: (1) In their opinion work, and not a dole, should be provided; (2) that the principle of taxation of municipalities in the manner provided is unfair and unsound; (3) that New Zealand is not able to stand an additional taxation of £1,000,000 annually.

The objection to a "dole" is both strong and wholesome, and in weak hands unemployment sustenance might well assume that character. Success or failure would depend on the character of the Unemployment Board and the extent to which politicians could be induced to keep their hands off it. The kind of board the Committee have in view is more like Mr. MacDonald's Economic Advisory Council than a charitable aid board, but what the politicians might make of it is another matter.

This section may be brought to a conclusion with a statement in support of the scheme from Mr. T. Shailer Weston which appeared in the same issue of the *Dominion* and is almost as strong in the other direction. Mr. Weston was not speaking officially, though readers should know that he is President of the New Zealand Employers' Federation.

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Certainly (he said) the National Board would not be content merely to set up a system of sustenance payments. Their great aim will be to discuss and develop avenues of employment for surplus labour available when other avenues were slack.

III. SAMOA

DISCONTENT in Western Samoa continued to embarrass both the local administration and the New Zealand Government throughout 1929, and though there was a marked drop about the middle of the year it reached a tragic climax a few days before its close. The formal policy of the Mau was still confined to peaceful opposition to the law and the administration, but its leaders were no more able than Gandhi to restrain the excesses of their followers. Sometimes indeed they were false to their own ideal in a fashion of which he has never been guilty.* A good general idea of the course which the agitation has followed and of its changing temper and methods was given by Colonel Allen himself, the Administrator to a special correspondent of the *Auckland Star* on January 15. The statement, which was published on February 18, was as follows :—

Although the Mau was in full operation when I came here to take over my duties as Administrator (said his Excellency), we experienced no particular difficulty in effecting arrests for criminal offences until Tamasese was taken into custody. Last year was fairly quiet here, and about June it appeared as though the Mau was going to die a natural death, until Faumuina and another chief returned from their visit to New Zealand. After their return we found the Mau much more difficult to deal with. The Mau made themselves a nuisance in many ways. They picketed places in Apia and the main roads in several districts, threw stones at passing motor cars which contained innocent people, and even at night they placed coconut tree logs across the roads and compelled motorists to stop.

It appeared to Colonel Allen that a number of the older chiefs lost control of the organisation and that "the larrikin

* For an account of the recent happenings in India see p. 507.

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element" asserted itself in April, 1929. "A deliberate policy of petty intimidation"—he might apparently have added "and of petty larceny"—seemed to have been adopted.

Some of them (added Colonel Allen) stole bananas and taro, and deprived other Samoans of their titles and professed to appoint others. They even ordered *Malos* (loyal natives opposed to the Mau) out of their villages. Another favourite practice was occasionally to beat native policemen. Recently a native policeman was assaulted by two natives, sustaining injuries which included the loss of his right eye. The culprit was captured by a European policeman. There was a struggle, and the native ran off, compelling the constable to shoot him in the leg in order to stop him.

Some additional points will be found in an official report to the headquarters of his Church in Sydney, by the Reverend J. S. Shinkfield, Chairman of the Methodist District in Samoa. The extract from which the following passage is taken was published by the *New Zealand Herald* on February 17. The date of the report is not stated, but from the internal evidence it must have been within a few days of January 12.

The Mau established themselves near to Apia, set up an office and proceeded to arrogate to themselves the functions of the Government. They forbade anyone attending the Courts, even as witnesses, and counselled its members to resist arrest and refuse to have any dealings with the Administration. They armed their police with batons, which were more like clubs, and did not fail to use them when opportunity offered. They next sheltered wanted men and escaped prisoners, and this led to a fatal clash with the police. The police were unable to effect an arrest in any village of the Mau near Apia. Sentries were placed in the roads at night by the Mau, and frequently occupants of cars were insulted and the police stoned. The effect of this conduct on the morals of the country can be imagined, while the prestige of the Administration went down daily. . . .

It is a most extraordinary situation. Something had to be done. Everybody marvelled at the restraint of the Administration. The Governor (Administrator) has been here nearly two years now, and has tried every means possible to approach the Mau, but without success. The trade returns for the year have fallen £169,000. The copra returns fell 3,000 tons for the year. Not only has the country

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been going back economically, but also spiritually and morally. The Samoans were getting out of hand, thanks to the pernicious influence of certain white men.

This testimony to the marvellous restraint of the Administrator and his frequent attempts to arrange a meeting with the malcontents is corroborated by the opinion of an anonymous writer, an "old European resident of Apia," which is quoted by the *Auckland Star* of February 18 :—

Since the present Administrator, Colonel Allen, has been in charge of Western Samoa (says this correspondent), there has been a noticeable improvement in the general tone and in the standard of the public service. If the Mau had been willing to meet the Administrator in response to his overtures, I'm sure that the political situation would have been cleared and Samoa would have been what it was destined to be—a perfect island paradise. Even the Mau cannot point to a single instance of administrative inefficiency since Colonel Allen has been here. Colonel Allen has always treated the Samoans justly. He is disappointed that they will not meet him.

The task which Colonel Allen accepted two years ago involved an onerous and invidious responsibility. A weak man might indeed have regarded it as resembling a forlorn hope, and he has faced extraordinary difficulties, which were none of his making, with unfailing courage, patience, and goodwill. As he has nevertheless had to face the same allegations of harsh and coercive methods as his predecessor, it is but fair to cite the evidence which shows that they are just as baseless in the one case as in the other.

The steadily increasing aggressiveness of the Mau during the previous three or four months had led the Administrator to regard a clash as inevitable. It actually occurred on December 28. The occasion was a procession organised by the Mau to welcome Mr. A. G. Smyth who had been deported two years before with Mr. O. F. Nelson, the founder of the Mau, and Mr. Gurr. The authorities raised no objection to the procession, but told the Mau leaders that if certain men wanted by the police took part in it, as they had in two previous processions, they would be

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arrested. Tamasese, the head of the organisation, was for respecting the wishes of the Administration, but yielded to the desires of the majority, and the men came. There were some 1,500 natives in the procession, about 80 per cent. of whom were estimated by the police to be armed with sticks, clubs, knives, and other things capable of being used as weapons. When the column was passing the Central Office at Apia four unarmed police attempted to arrest one of the wanted men, but a sergeant who seized him was knocked senseless and the man escaped. In the *mêlée* that ensued some of the armed reinforcements which the police had in reserve were called in to extricate the party which had attempted the arrest. The mob attacked both parties with stones, and one of the police was killed; but, covered by revolver fire, the others made their way back to the police station about a hundred yards away. Some 300 men then attacked the building with stones, but were driven off by a few rifle and revolver shots and four bursts from a Lewis gun fired over their heads. The fighting did not last more than fifteen minutes.

The police casualties were constable Abraham killed, and six others wounded; on the side of the Mau two men were killed, including Tamasese, and seventeen were admitted to hospital, of whom six died. At the inquest, which was opened at Apia on January 2, the findings of the coroner (Mr. J. H. Luxford, Chief Judge), of which an official summary was published in the New Zealand papers on February 6, were completely in favour of the police except on a single point, the rifle fire which killed Tamasese while he was endeavouring to check the rioters. The finding on this particular incident may be said to have been adverse, but there was no actual censure:—

The evidence (said the Chief Judge) does not show that rifle fire was necessary. However, in circumstances as then prevailing, it is inevitable that some action will be taken which may appear at the time to be justified, but when inquired into subsequently will be found to have been unnecessary.

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After this unfortunate affair both the New Zealand Government and the Samoan Administration took prompt action to assert the authority of the law. On January 6 the Administrator posted public notices requiring the twenty Samoans wanted by the police to surrender on the 11th. On the 8th H.M.S. *Dunedin* left Auckland under sealed orders; on the 11th an Order-in-Council was issued empowering the Administrator to proclaim the Mau a seditious organisation, thereby making participation in its meetings or propaganda and the wearing of its badges illegal. On the 12th the *Dunedin* arrived at Apia; on the 13th the Administrator issued a proclamation declaring the Mau a seditious organisation, and parties were landed from the *Dunedin* to reinforce the police at Apia and other places, and to round up members of the Mau, who were reported a few days later to have left the coast and taken to the bush; and on February 4 the Government decided to enrol a new force of military police for service in Samoa.

But while thus taking the necessary steps to assert the authority of the Administration and to ensure "the complete cessation of the Mau movement," the Government also decided to send Mr. J. G. Cobbe, the Minister of Defence, to Apia to confer with the Administrator. He arrived on February 19 and the announcement shortly afterwards that arrangements had been made for leaders of the Mau to come to Vaimoso to meet the Minister and the Administrator was the best news that we had had from Samoa for at least two years. At the *fonos* or conferences which were held on March 4 and the four following days, the Administrator demanded the dissolution of the Mau, the surrender of the wanted men, and an undertaking on the part of the chiefs to meet him in future conferences. The meetings concluded on March 7 with results which were the subject of articles by the Press Association in the New Zealand papers of the 10th to the following effect. The Mau, it was reported, still adhere to their determination not to forgo the Mau organisation and the truce lifts at

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8 a.m. on Saturday. To-day at 2 p.m., however, 300 of the Mau and the head chief, Faumuina, marched through Apia from Vaimoso to the police station at Apia and surrendered eighteen (*sic* twenty) wanted men who are to be dealt with in the Court on Saturday morning. The Administrator has proposed a meeting in about three weeks' time with the four chiefs, Mataafa, Malietoa, Faumuina, Tuimalealifano, and others to discuss matters in the territory which is quiet at present.*

It is clear that both the Minister and the Administrator acquitted themselves exceedingly well at these interviews. The surrender of the wanted men was obviously a great victory, and it was followed by the prompt return of most of the Mau natives to their villages. But, in view of the fact that the last word of Faumuina, the Mau's principal spokesman, in reply to the Administrator's chief demand was "the Mau will not disperse; do what you like with us," it is not easy to understand why the *Dunedin* should have been withdrawn on March 14 and the new military police force disbanded a week later. How much of the Mau's obstinacy may be due to the necessity of saving face, and whether this reduction of the forces will be interpreted as conciliation or weakness, are questions, however, which an outsider cannot answer with confidence.

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March 26, 1930.

NOTE

As we go to press the news comes that Sir Joseph Ward has announced his decision to resign his office for reasons of health.—
EDITOR.

* It is announced from Apia that the Administrator intends to summon a meeting of representative Samoans to discuss Samoan affairs before the end of May. (See *The Times*, April 3, 1930.)

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